FOREIGN BROADCAST INFORMATION SERVICE

Daily Report

East Europe

FBIS-EEU-95-169
Thursday
31 August 1995

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FBIS-EEU-95-169 *31 August 1995*

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Havel Discusses Bosnia at European Forum

LD3108113395 Prague Radiozurnal Radio Network in Czech 1000 GMT 31 Aug 95

[FBIS Translated Text] Today, Czech Prime Minister Vaclav Klaus attends the European Forum in Alpbach, Austria. Lucie Weissova, our special correspondent in the prime minister's entourage, has more details.

[Weissova] The European Forum also includes the Alpbach European Week, which started on 28 August and will end on 1 September. The admission of the reforming countries from Central and East Europe in the European Union has been the focus of the talks.

Klaus's program started in the morning with a working breakfast with Wolfgang Schuessel, Austrian vice chancellor and foreign minister, Slovenian Prime Minister Janez Drnovsek, and Polish Foreign Minister Wladyslaw Bartoszewski. Klaus summed up the talks for Czech radio.

[Begin Klaus recording] It is clear and logical that the talks concerned the latest developments in the former Yugoslavia. We considered whether the latest measures and steps could calm down the situation and bring about some solution. [end recording]

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Commentary on Ministry Involvement in Arms Sales

AU2908122795 Tirana KOHA JONE in Albanian 19 Aug 95 p 2

[Commentary by Elio Elini: "Who Controls Arms Sales?"]

[FBIS Translated Text] "We have sold arms to Albanian private firms operating with our permission, and not to Afghanistan or any other country." This was the latest official statement by the Ministry of Defense. This is what Deputy Defense Minister Alfred Moisiu told KOHA JONE after several accusations had been made against the ministry. He considers arms sales abroad as normal, legitimate international practice.

So far the Albanian Government and the Defense Ministry have either denied or kept silent about any accusations regarding arms sales, although these have been made very often. Some time ago Minister Safet Zhulali was accused of being one of the main participants in the explosives scandal, which also shook the defense structures in Bulgaria. Later on, an Amnesty International report cast other doubts on the Albanian Defense Ministry when it declared that Albanian arms were being used in the civil war in Rwanda.

"It is a trade that every country carries on. So we sell systematically to Albanian firms," Moisiu continued. Everything might seem normal, but it is unbelievable that the government does not know where the Albanian private businessmen are selling them. Arms sales must be controlled, and only individuals who meet certain special criteria should be authorized to be engaged it. The deputy defense minister says that arms were sold to individuals. This means that the over 3 million cartridges found in Afghanistan were sold with the permission of the Defense Ministry to Albanian firms involved in arms sales. Hence this might be considered an activity carried out with the permission of the government and under its control. Does the government know where the arms go with their permission? How did the cartridges end up in Afghanistan or other weapons in Rwanda? The government cannot be ignorant of what its subjects are doing. Even if we believe this, after all these accusations that are being heaped on the government and not on individuals, the Defense Ministry must at least find out who are the Albanian firms that sell arms to the hot spots. What would this ministry say if one fine day, the arms it has sold normally to private firms were found in former Yugoslavia and were even used against the Albanians there?

"We bought arms in Albania because they were cheap. All the documents are in order," an Afghan Government source declared, while in Albania nothing is being said about who signed the documents. Every commodity, arms included, passes through the customs and other check points. Both the government and the Defense Ministry must know where the arms produced in the Albanian military plants "fly to."

Cabinet Discusses Economic Bills, Judicial Matters

AU2908154595 Tirana RILINDJA in Albanian 29 Aug 95 p 3

[Unattributed report: "Justice Ministry Reports on Irregularities in the Court of Cassation"]

[FBIS Translated Text] Today's meeting of the Council of Ministers approved several agreements signed by the Albanian Government and approved in principle a number of other agreements to be signed soon. These included an agreement with Eksportkredit of Sweden for a loan of $4,100,000 in support of the balance of payments and an agreement with the Czech Government for the elimination of double taxation of income and capital gains, and to combat tax evasion. These agreements will be passed to the parliament for final approval. An agreement with the Greek Government for the employment of seasonal workers, to be signed by the foreign minister in Athens soon, and an agreement with the Russian Government on air transportation were also approved.

On the proposal of the Ministry of Mining and Energy Resources, the meeting also examined the bill on the distribution of shares of companies involved in electricity distribution. The bill provides for the sale of up to 60 percent of these shares to strategic investors who are able to purchase them immediately and to offer technical and management opportunities for this industry's further development. The remaining 40 percent of the shares will be allocated under the mass privatization program. On the proposal of the Finance Ministry, the Council of Ministers approved the sale of the state portions of such joint enterprises as Albafoam in Tirana, Megan-Vlora in Vlore and Berat, and GMS in Tirana. Their sale within Albania will be announced following valuations by accountants.

The meeting approved the breakdown of funds for building new housing for the villages that must be moved following the construction of the Boville reservoir.

Following an application by Shkoder Municipality and under the law on compulsory purchase in the public interest, the Council of Ministers approved the publication in the local press of compulsory purchase orders necessary to build the new headquarters of Shkoder Telekom.

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New regulations in line with the Labor Code governing working hours and vacations in the state-financed construction sector were approved.

At the end of the meeting, the finance minister submitted a short resume of the progress of the state budget so far and the macroeconomic development of the economic reform. It was said that an interministerial working group has been created to evaluate as accurately as possible the GNP, on whose basis the maximum possible budget expenditure for 1995 will be calculated.

The justice minister also read a report on the results of tours of inspection of court order enforcement offices in some districts. The conclusions of the inspectors show that court orders that the offices were obliged to enforce have in many cases been suspended by the Court of Cassation, which has led to failures to enforce court decisions for periods as long as two years.

The Council decided that when this material is supplemented by the results of tours of inspection in other districts, cases of the irregular suspension of court orders that constitute violations of human rights will be passed for consideration to the Constitutional Court.

PSD Leader Views Possible Election Coalitions

AU3108100595

[FBIS Editorial Report] Tirana KOHA JONE in Albanian on 20 August carries on pages 8 and 9 a 3,600-word interview with Gaqo Apostoli, general secretary of the Social-Democratic Party [PSD], by Agim Xhafka. The place and date are not given. Asked about whether the Democratic Party (PD) will lose votes in the coming elections, Apostoli says: "Everything has been decided for the coming elections: The PD is identified with the present corruption and the presidential institution, whose policy is making a lot of people allergic." He continues: "In fact, the PD has been trying to regain its losses through administrative, party, government, and other economic and legislative-type measures. The gain, however, is far less than the loss." Asked about Berisha's attitude toward other political parties, Apostoli says: "President Berisha identifies his people with the Democratic Party, so instead of being the representative of all political forces, he is virtually turning against all of them. It appears that he is finding it very difficult, almost impossible, to play a central political role."

Talking about Berisha's stand toward the right wing coalition, Apostoli continues: "It is common knowledge that the president does not attack the Right League parties, probably because he fears their accusations that he is still an active communist, or he is hoping for a possible coalition with them." As for the opposition parties, Apostoli says that President Berisha is attacking them "from the rostrums of his news conferences, meetings with women and even at God's altar," accusing them, and especially their leaders, of causing disruption. He goes on: "The presidential mechanisms are working toward the coming elections, and aside from planning political rupture and intrigues, they are also probably preparing a new electoral law in which the majority system would create difficulties for parties smaller than the PD and the Socialist Party (PS) and would curb the democratic processes by polarizing the electorate."

Asked about the Social Democratic Party and the Democratic Alliance, Apostoli says: "The coalition between the Social-Democratic Party and the Democratic Alliance, which aims at strengthening the Albanian political center, is forming naturally. It may create a political gravitational force that will draw the electorate toward the center, which does not exist at the moment. The possibility of this coalition becoming stronger and its gravitation increasing through the new forces that may emerge in the PD or PS, and the possibility of the Human Rights Union being drawn into the coalition, are not ruled out. Each political party may participate in the elections separately or in a coalition, depending on the election law. If the existing law most suitable for the conditions in Albania will still be in force, then the political parties that make up the coalition of the center, in order to strengthen their identity, must overcome the electoral barrier by supporting one another politically. However, if the diabolical minds within the PD concoct a majority law to eliminate the smaller parties, then the coalition political forces would have to put forward joint candidates in the elections, thus creating a new political trend in the struggle against the binomial PD-PS, which is characterized by indoctrination, mediocrity, and a withering of its political force."

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Ministry Rejects Zhelev's Position on Inspectorate

AU3008181695 Sofia Khorizont Radio Network in Bulgarian 1600 GMT 30 Aug 95

[Position of Defense Ministry in connection with President Zhelev's 29 August address to nation regarding restoration of Army Inspectorate, read by Defense Ministry Parliamentary Secretary Khristo Smolenov—recorded]

[FBIS Translated Text] The address of the president in connection with the personnel changes in the Bulgarian Army, and his position on restoring the Defense Ministry Inspectorate, agitated the Army and the civilian public. This fact compels us to take the following stand on the issue.

The leadership of the Ministry of Defense needs the Inspectorate. Control organs have existed in our Army for more than 100 years. The elimination of the Inspectorate in 1993 can be described only as a crude mistake. Throughout the world there are modern armies with inspecting organs. The United States, Russia, France, Italy, the Czech Republic, and Romania have large and developed inspection organs.

All issues related to restoring the Inspectorate have been analyzed in a profound manner against the background of the democratic, social, economic, and political changes. The attitude of the commanders toward the issue of discipline is of an exceptional importance. Protecting the rights of the military is another important issue. We categorically stress that the struggle against corruption, as well as against waste and abuse of military equipment and finances, should be among the main tasks of the Inspectorate. The Inspectorate should resolve the problems related to the complaints, petitions, and requests of military and citizens. The proposed structure of the Inspectorate is related to those functions. It has been envisaged to conduct inspections related to the implementation of the military budget, the financial policy, social policy, ecology, prerecruitment training, and many others.

It is obvious that a significant number of spheres have been covered. For the minister of defense, the Inspectorate is the basic organ of objective and competent civilian control.

President Zhelev disapproves of restoring the Inspectorate through a sublegal decree. He thinks that it will become the second military center in the purely military part of the Army and tension will emerge between the Inspectorate and the General Staff.

However, the Constitution clearly stresses that the Council of Ministers is an institution that has the right to create and close structures in the Armed Forces. It is well known that the Inspectorate is incorporated in the draft Bill on Defense and Armed Forces. The debate related to this draft bill is progressing slowly, while the tasks the Inspectorate has to implement are urgent and suffer no delay. It would be unjustifiable to compel the defense minister to wait a whole year for an organ of independent and objective civilian control, while such an organ is needed by the Ministry of Defense now.

If one seeks conflict, tension, or creating—I quote—a second military center, our reply is that the existing relations between the civilian and military leaderships of the Bulgarian Army do not create conditions conducive to such a conflict. The Inspectorate does not have any leading and commanding functions.

The leadership of the Ministry of Defense is convinced that meeting the Army's financial needs, resolving the social problems of the officer corps, modernizing the weapons, and supplying spare parts and elements are urgent tasks. Those tasks are the daily concern of the ministry. The structural reforms also have a priority. As a structure, the Inspectorate will provide a correct picture of the comprehensive situation in the Army. As a distributor and manager of the military budget the defense minister through the Inspectorate will have the opportunity to control directly the efficient and purposeful use of the military means in the interest of national security.

As far as the cadres that will be employed in the Inspectorate are concerned, they are within the framework of the approved payroll and budget of the Defense Ministry for 1995.

We would like to recall yet another fact. In March 1991 the Commission on National Security approved and the president confirmed a new structure of the Ministry of Defense, which included the Inspectorate. Therefore, it is strange now that the same president questions the need for such an organ.

It is our categorical position that the Inspectorate is necessary and must be created as soon as possible.

SDS, BSDP Sign Pact on Local Elections

AU3108091295 Sofia Khorizont Radio Network in Bulgarian 0800 GMT 31 Aug 95

[FBIS Translated Text] This morning Ivan Kostov and Petur Dertliev signed a document setting out the general principles for cooperation between the SDS [Union of Democratic Forces] and BSDP [Bulgarian Social Democratic Party] in the local elections to be held on 29 October. The document states that the two organizations agree to participate jointly in the elections in the municipalities and population centers where their

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local structures have reached agreement, either in a coalition or as only the two political forces.

The document further confirms that the agreements signed between the two organizations' municipal structures on joint participation in the elections will be supported and that the signing of similar agreements in all the population centers in the country will be encouraged. In localities where one of the two organizations has not registered any candidates, that organization will call upon its supporters and sympathizers to support the mayoral candidate and list of councilor candidates registered by the other organization.

Former Communists To Introduce Market Economy

MS3008122295 London THE GUARDIAN in English 30 Aug 95 p 12

[Article by Jonathan Steel: "Bulgarian Reds Find Favour In Markets"]

[FBIS Transcribed Text] Sofia—Eight months after returning to power, Bulgaria's former communists are about to speed up the privatisation of industry by launching a scheme to give vouchers to every citizen.

"We're implementing the market economy more efficiently than all previous governments," said Rumen Gechev, the U.S.-trained economist who heads the ministry of economic development.

Remarks like this anger the opposition, which has spent much of its time since its electoral defeat warning of a "recommunisation" of Bulgaria.

"They are Dr Jekyll and Mr Hyde," said Asen Agov, chairman of the parliamentary foreign affairs committee. "A minority is fully devoted to democratic changes, but it relies on the same electoral base as before. It wants nothing less than revenge."

Other opposition spokesmen claim the Bulgarian Socialist Party, [BSP] as the former communists are called, will split into social democrats and communists, ensuring another right-wing parliament.

The opposition is right to sense that the BSP is an unusual phenomenon in the post-communist world. But it is probably wrong in expecting the party to fracture. The BSP appears to be the first party in East or Central Europe to try to promote Keynesian policies of government intervention after the ravages of five years of neo-liberal monetarism.

It is also resisting pressures for simplistic realignments of foreign policy and is not rushing the NATO issue. Strong links of history, culture, and geography leave most Bulgarians comfortable with Russia.

"We want them to say they want to join NATO, but we don't really want them to want to join it," was the way one diplomat put it.

The BSP is unusual among former communist parties in having a young leadership. Zhan Videnov, the prime minister, is 36. Rumen Gechev is not yet 40. Yannaki Stoilov, the deputy party leader, also in his thirties, says only two of the 110 members of the party's supreme council were on the once all-powerful central committee in the communist period.

The new image was one reason for the party's election victory. "It is hard to believe such young people want a return to the past," an independent local journalist said. But the BSP's main trick has been to escape the polarisation of all-or-nothing post-communist politics in former Warsaw Pact countries. It occupies the yawning centre ground which other pro-market parties have not yet dared to seize.

The BSP has benefited politically from the huge brain-drain during the two years in which the country first opened to the outside world. An estimated 200,000 students, recent graduates, and professional people went to the West, most of them potential supporters of the former ruling party, the Union of Democratic Forces [UDF]. The BSP appears to represent a majority of the elite which chose to stay.

"I see nothing wrong in a left-wing government bringing in a market economy," said Mr Gechev. "We have young ministers, educated in West Europe and the U.S., who understand market theory and practice."

So far the BSP seems to have managed to ride the two horses of an International Monetary Fund programme inherited from its predecessors and a strategy of distributing incomes with some respect for social justice. The former communists were also lucky to come to power when the economy was picking up after the UDF government reached a deal with its foreign creditors.

While critics claim the government is "re-communising" others call its policy "national capitalism". They point to the law banning foreign ownership of land and the favourable state credits for Bulgarian business.

This, they say, is because it is former communists who have been most successful in gaining control of the newly privatised economy. The BSP's plans to accelerate privatisation are further proof of this, they claim.

The variety of contradictory accusations highlights the opposition's confusion. But it also suggests that they recognise that the BSP's recipe of strong government

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intervention in a market economy has indeed captured the middle ground.

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Havel: World Abandoned Principle of Coexistence

LD3008170895 Prague Radiozurnal Radio Network in Czech 1600 GMT 30 Aug 95

[FBIS Translated Text] President Vaclav Havel made the following statement on the situation in Bosnia:

[Begin Havel recording] I think that this is about a matter of sheer principle. This is about the basic values upon which today's integrating Europe is based. The principle of coexistence of people from different ethnic groups that have different beliefs and religions is one of these values, and this principle has right from the very beginning been discreetly abandoned in the international community's efforts to solve the conflicts as it moves toward a principle of ethnic division and ethnic cleansing, in other words a principle which is in direct conflict with that upon which the Europe of today is based and upon which the Europe of tomorrow is supposed to be based. [end recording]

Foreign Minister Backs NATO Attacks

LD3008161895 Prague Radiozurnal Radio Network in Czech 1400 GMT 30 Aug 95

[FBIS Translated Excerpt] The Czech Republic agrees with the attack carried out in Bosnia by NATO armed forces, and hopes that this action will bring the various sides to the negotiating table for a political resolution of the conflict, Foreign Minister Josef Zieleniec said this afternoon..

Libor Novak, chairman of the permanent delegation of the Czech Chamber of Deputies at the Parliamentary Assembly of the Council of Europe, said that international organizations should intervene more effectively against the concentration of armed conflict on the territory of the former Yugoslavia. He said, however, that the mandate of the UN Protection Force needs to be fundamentally altered. Otherwise, he said, members of the peacekeeping forces are heading for the slaughter, unprepared for tough conflict, while guarding the security of the civilian population. [passage omitted]

Parties Air Views

LD3008201195 Prague Radiozurnal Radio Network in Czech 1600 GMT 30 Aug 95

[FBIS Translated Text] The coalition parties all support the NATO intervention in Bosnia. The opposition, with the exception of the Social Democrats, does not agree with the retaliatory action, and stresses the need to resolve the situation by political means.

The Civic Democratic Party hopes that the NATO action will bring the various sides to the negotiating table and lead to a political resolution of the conflict.

According to the Civic Democratic Alliance, the strikes are a proportional response by the international community to terrorist actions by the Serbs.

The Czech Social Democratic Party also considers the attack on the military positions responsible for the Sarajevo market massacre to be justified.

According to the Left Bloc, the whole problem should be solved politically at a peace conference rather than with weapons.

The view of the Republicans is that the tragedy in the former Yugoslavia was caused by German great power politics.

Tamara Prototype Allegedly Exported to Yugoslavia

AU3108110095 Prague TYDEN in Czech 21 Aug 95 No 34 p 10

[Unattributed report in the "Top Secret" column: "We Did Export Tamara to Former Yugoslavia"]

[FBIS Translated Text] A former employee of Omnipol [foreign trade corporation specializing in arms exports] who does not wish to be named told TYDEN that the Czechoslovak Socialist Republic exported one of the first prototypes of the Tamara radar system to Yugoslavia in 1983 for it to be tested in mountainous terrain. The file documenting this transaction started with the designation 31/1/83 and should, if it has not been destroyed, still be in Omnipol's archive.

Reporter Details Prime Minister's Daily Routine

95CH0305A Prague RUDE PRAVO (MAGAZIN supplement) in Czech 8 Jul 95 pp 4-5

[Article by Jitka Goetzova: "A Day With Vaclav Klaus"]

[FBIS Translated Text] At the government-owned villa in Stresovice, where Prime Minister and Chairman of the Civic Democratic Party [ODS] Vaclav Klaus (54) lives, his bodyguards begin trickling in after 0700. His wife Livia (51) in slacks and shirt is outside watering flowers, and when two BMWs arrive for the prime minister, she accompanies her husband to the door. Two brief kisses signal that everything is fine with the Klauses and that the prime minister's workday can begin. I suspect that it will be a long one.

0740: Outside on the sidewalk, the head of the Czech government reminds me that in the afternoon his wife will join us, so that it will actually be a day with the Klauses. Then he climbs into the car, and on the way to the Straka Academy, where the Czech Government offices are located, he reads the newspaper.

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0755: The prime minister's secretariat is buzzing, because in a little while the chairmen of the coalition parties will begin their discussions about basic pension insurance. Vaclav Klaus is also leafing through the working papers for the discussions about the relationship between state and church, which are to follow. "They did not get much done on this matter," he comments and turns the papers over to his secretary Zdenka Vesela.

The chairmen are arriving, Jan Kalvoda (Civic Democratic Alliance [ODA]), Josef Lux (Christian Democratic Union-Czech People's Party [KDU-CSL]), and Ivan Pilip (Christian Democratic Party [KDS]), and they are momentarily nonplussed by our presence, especially after the prime minister says with a smile: "This is a new element in my office." And as Kalvoda looks surprised, he adds that for a long time he resisted the offer by the RUDE PRAVO MAGAZIN SUPPLEMENT to spend one working day with him, but that I broke down his resistance because days with politicians are to be published in book form. The ODA chairman just draws on his pipe and obviously wonders why he, too, has not yet spent a day with me.

The door of the prime minister's office, behind which the heads of the coalition are holding discussions, opens after one hour. But it is only Kalvoda looking for matches. It is up to me to be astonished for a change: "You are allowed a pipe in a strictly nonsmoking workplace?" He merely gives me a conspiratorial wink. The discussions are obviously complicated. After a while Pilip comes in and uses the telephone to cancel his planned morning program. Then Klaus comes out and says to me: "As you can see, it is not simple and it looks as if it could take months."

He picks up the working papers for the state-church discussions from the desk, and we leave for room 162. There about 15 people are waiting impatiently, including ministers Ivan Kocarnik, Igor Nemec, and Jindrich Vodicka (all ODS) and Pavel Tigrid. The prime minister confirms that the coalition quartet will not be done any time soon, and that he, therefore, will not take part in these discussions. "Ivan," he turns to Kocarnik, "our positions are well known, you know what to do...."

On the way back to his office, Vaclav Klaus tells me: "Before my problem with the apartment began, I was saying to myself that we must resolve four rather simple matters: social questions, church, clearing treaty with Slovakia, and negotiations with the KDS. And see how much more complicated it turned out to be. And our coalition quartet is still only at the beginning...."

1100: Zdenka Vesela is talking with somebody in English on the telephone. Some Swedish autograph collector is downstairs and wants Klaus's autographed photo. She gladly takes it down to him, and on her return she says with a laugh: "He also wanted Lubomir Strougal's address, but I don't know it." She gets the prime minister's correspondence ready for his signature and gives him documents which he intends to read in the car on his way to Nachod in the afternoon. She takes several telephone calls without saying a word, and then just mentions in passing that people who called were offering the Klauses an apartment.

1115: After a while, the prime minister enters the secretariat office. Without a coat, just in his shirtsleeves. He asks Zdenka to be so good and call his mother to tell her that he is all right, and that he cannot call her himself because of his heavy workload. He tries to conceal his unease about the endless talks of the "quartet" and exclaims: "If we are going to argue about the retirement age, we shall be here for hours yet." And he goes back to the three chairman. Before 1200, it already becomes apparent that they did not come to an agreement, and they go to tell that to reporters. Shortly before that Ivan Kocarnik and Pavel Tigrid announced the same result in their discussions on the state-church relationship.

1220: The staff of the prime minister's secretariat, which numbers about 20 people, lunches with the boss in a small dining room. We all have vegetable soup, some have beef with vegetables and potatoes, some beef with rice, and the prime minister and two others have dill sauce. He calls everybody around the table by their first names, and asks them how far they have progressed with their various assignments. He rejects my observation that he is one of the few members of the government who is not putting on weight. He pats his stomach meaningfully and says: "Unfortunately, I do too."

1320: He puts the reading matter for the trip into his briefcase, looks over several letters which he signs as well as some papers which will go to the government. He lets Ivan Kocarnik, who is getting ready for the tripartite talks, read his response to the letter from Richard Falber, head of the trade unions, who asked him to designate the ministers who would negotiate with him about wages in the budgetary sphere. The instructions to the minister are clear: negotiate only within the tripartite framework, and no other way. Zdenka just has time to say that she spoke to the prime minister's mother and is to convey her greetings to him. At the door, the prime minister parts with us with the words: "We shall meet in the retirement home." Klaus likes dry humor. We are going to Nachod to visit precisely one such home.

The secretary is putting away the mail and remarks: "He has an unbelievable gift. His eye always zeroes in on the only mistake, even if there are a hundred papers." She remembers that once she managed to staple together

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several sheets of paper with one paper slightly out of line. Klaus, who says that he is absolutely hopeless when it comes to technical skills, looked at it and said: "But Zdena, not even I as the prime minister would put it together like that." Everything simply has to be just so.

1600: In the Nachod retirement home. Harmonie Livia and Vaclav Klaus first take a look at how the old folks live; director Bauerova takes the prime minister from room to room, boasting about what they have been able to accomplish with the help of sponsors and the enthusiasm of the personnel. She talks and talks, the prime minister listens, and almost does not get a chance to get a word in edgewise. "This is the first time I see someone manipulating him like this," laughs Livia. The oldest ODS member, 86-year-old Mrs. Vasata, complains that her eyes are bad and so she cannot read her Klaus. The prime minister obviously concludes that there are more people like that in the home, and he therefore presents them with a stereo cassette recorder. The Klauses' apartment problem obviously has been discussed even in this retirement home, because the director says: "If you make out an application, we shall be glad to accept you. It would be an honor for our town. A pensioner is a pensioner." Livia Klausova wanted to know how long an application lies there before it is processed. "When your turn comes," the director answers diplomatically.

1700: The advertising slogan that "even a mole knows Bobi diapers" could have another version, that even Vaclav Klaus knows them now, because we spent almost an hour at the firm Zisoft-Bobi, Inc. To my question, whether he is getting ready for a role as a grandfather and whether he would prefer a granddaughter since he has two sons, he answers desperately: "The fact is that I have not thought about it yet. And I have to report that if our son is announcing anything, it is a wedding. Nothing more." Livia Klausova quickly adds: "He evaded that question skillfully. He is not looking forward to being a grandfather, of course, because that means a transition to the next stage. But if you ask him afterward, he will be pleased. Whereas I am already looking forward to have a female element in the family, that is, the future wife of my son. Maybe it is against nature, but I like her very much, but that is the way it probably should be."

The prime minister is pleased with the success of entrepreneurs Mr. and Mrs. Zidkovy, who own the company, because they started in 1990 with 8,000 korunas [Kc] in cash. Without foreign capital and with the help of a Kc35-million loan from the Czech Savings Bank their company began to thrive. Every year they double their turnover, and last year they reached Kc310 million. The Czech National Bank is said to be worried now that they may be too monopolistic. The prime minister immediately pulls out his famous notebook, and loudly announces to everybody around what he is writing down: "The Czech National Bank monitors individual loans of the Czech Savings Banks." He adds that he finds it fascinating and that it is a very useful information for him.

Vaclav Klaus also tells me that a visit such as this one in Nachod, for example, the opportunity to talk with people, to observe the shift in their thinking, to see with his own eyes what changes are taking place all over the republic, means much more to him that any trip abroad.

1800: In the Art Nouveau Hotel Beranek in Nachod, the theatre auditorium, with a curtain painted by Mikolas Ales, is literally jampacked with about 600 supporters of ODS. The ODS chairman apparently for the first time acknowledges in front of the citizens that Ales was his step great-grandfather or great-great-grandfather. Klaus makes the most of every minute of the one and a half hours devoted to the citizens. He is patient, he responds to every written question which passes through the hands of Zdenka Horakova, the chairwoman of the East Bohemia regional ODS, or comes directly from the auditorium. He explains why people should retire at 62 years of age, why it is necessary to abrogate the clearing treaty with Slovakia.... That he is in favor of increasing the salaries of physicians and teachers, but only for the outstanding members of those professions, not for the profession as a whole. To the comment that patients are given prescriptions calling for expensive foreign medications, Klaus responds: "Advise every physician that if they prescribe cheaper medications, their salaries will be higher."

Asked how satisfied she was with the Pilsen celebrations commemorating the end of the war, Livia Klausova answers that she was, but that she regrets that proper attention was not given to the memory of the Russian soldiers: "If previously the presence of the American Army was kept a secret, that today we should pretend that the Russian Army was never anywhere I do not think is quite right." And she was applauded. The mayor of Nachod was also applauded when he said that as a local politician he would not win approval if he were to give the Klauses a municipal apartment. He therefore intends to discuss with the prime minister during the working dinner conditions for entrepreneurs so that they can go ahead with housing construction.

The prime minister also said, upon being asked, that it is possible to have a discussion with the chairwoman of the Democratic Union just as with anybody else, but in his opinion a discussion has certain rules. "I see nothing

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rightist in Mrs. Hromadkova. I see populism in her, that she is simplifying problems, offering quick, shortcut solutions. That is not rightist, that is antirightist."

Livia Klausova revealed that in order to be able to fulfill her responsibilities stemming from the position of her husband, she works part-time as the executive secretary of the Czech Economic Association and is a member of three supervisory boards, in which her vote has the value of one-ninth or one-eleventh of the collective body. In order to be able to attend to all this she was given an official car, a red Favorit from CEZ [expansion unknown] which she drives herself, since she passed a driver's test last year. "I do my own washing, a neighbor does the ironing for me, I do my own cooking, and sometimes a friend helps me with the housecleaning," she continued.

Klaus mentioned that at the time he was minister of finance for the Civic Forum, Milos Zeman together with others wanted to get rid of him by putting him on the ballot in the economically depressed Northern Moravia before the parliamentary elections. "I accepted Northern Moravia, and it appears that it was one of the best political moves I could have made." The fact that they did well there in the elections was, as he said, absolutely key. Klaus is again proposed as the top candidate on the ballot there, and he is glad.

1945: The Klauses are saying goodbye to their supporters. They told a great deal about themselves, but not a word about their sons. Therefore they are rectifying it at least for the readers of the RUDE PRAVO MAGAZIN. "Vaclav, born in 1969, graduated in mathematics and geography from Charles University. Now he is working on his doctorate and at the same time is teaching somewhere. He must earn money where he can," says his mother proudly. Honza is five years younger and is studying finance at the School of Economics. Mrs. Klausova contradicts my suggestion that he takes after his father and mother. "Vaclav is a far better economist and politician, but precisely because he is as stubborn as his father, he deliberately decided to do something else. As I learned from well informed sources, he is teaching economics." Their mother always makes time for the sons, we learn, but Honza is the only one still at home. "Mainly to chat with him before an exam, and provide a home base for him," Livia Klausova confides. And there is no hurry for Honza to be serious about girls, she says.

2000: The dinner with businessmen and ODS supporters is about to begin. I take my leave, because I still have to write my report and phone it to Prague.

2305: Twenty kilometers before Prague, our press car is overtaken by the BMWs carrying the prime minister's party.

Foreign Investors Interested in Securities

95CH0308A Prague PRAGUE POST in English 11 Jul 95 p 11

[Article by Eric Volkman: "Foreign Investors Show Interest in Czech Securities"]

[FBIS Transcribed Text] Although trading on the Prague Stock Exchange has been sluggish in the last few months, investors in other countries have shown interest in local securities.

Czech stocks are not traded on the larger foreign markets, such as the New York and London exchanges, but they do change hands on a number of smaller markets in Europe, such as Vienna's exchange and London's over-the-counter market. Generally speaking, their performance abroad reflects their performance on the local exchange.

"Czech securities traded on other markets are generally blue chips, and they move fairly well," explains Daniel Glabis of Atlantic Financial Markets, a Brno-based brokerage house. "Foreign investors are interested in Czech blue chips because the companies behind them are relatively stable and still have some growth potential."

The number of domestic stocks trading on foreign markets is relatively small—only about 15 to 20 securities are traded abroad—but that may not be due to a lack of interest on the part of investors. Although it's difficult to determine exactly how much volume Czech stocks enjoy on other exchanges, figures indicate that they are quite active.

For example, a share of confectionery giant Cokoladovny has ranged in price from DM 97 to DM 199 (1,814 Kc to 3,723 Kc) on Munich's exchange in the last year. Other Czech stocks post respectable prices on the same exchange.

Despite the good signs, however, some foreign investors remain bearish on local stocks, according to figures in the industry. "In some markets abroad, Czech stocks have a bad reputation," says Pavel Kohout, an analyst at Komero s.r.o., a local brokerage house. "Many investors think that the Czech market is still new—and risky, and they tend to keep away from it."

This problem is compounded because Czech companies are slower than their counterparts in the West to disclose financial information. These figures often take several months to compile. Many local firms have yet to release data from 1994.

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Another possible hindrance to greater investor interest abroad is the dearth of global depository receipts (GDR's) for Czech stocks. GDR's are documents that underwrite a block of a firm's securities and are issued to foreign investors in local currency. The GDR's act as a sort of "proxy stock" and are conditional, giving a foreign owner all, some or none of the rights of a domestic stock owner. For example, a Czech company might decide to float a GDR issue for its stock, but it may be nervous about giving many foreign investors voting rights in the company. In its GDR issue, it could include a clause barring GDR holders from voting rights.

So far, no Czech company has issued GDR's. That, however, is about to change. Sometime this month, banking giant Komercni Banka will float a GDR issue that will be offered for trade on London's exchange. Although the firms involved in the issue were reluctant to discuss specifics, they were not hesitant to sing the praises of GDR's.

"GDR's make trading a stock overseas much more efficient," says Petra Wendelova of CS First Boston, the brokerage firm underwriting the issue. "They allow a stock to be listed on a large exchange, which increases its visibility and attractiveness to foreign investors."

GDR's will certainly be a boon to Czech stocks on foreign markets, but they will not by any means be critical to their success. The visibility of domestic securities has been boosted by the prominence of high-profile privatization projects, such as that of SPT Telecom, as well as the strong market positions of formerly state-owned monopolies, such as energy giant CEZ.

Industry experts have mixed opinions about the future of Czech stocks abroad.

"There has been heavy interest in some Czech stocks, but they continue to be somewhat overpriced," says Glabis. "Their future success (on foreign markets) depends on whether prices will drop enough to attract more interest."

Jay King, a trader at Wood & Co., is more optimistic. "Foreign investors are interested in Czech stocks, and that interest will continue," he says. "The Czech economy is going places—the crown is very stable, there has been GDP growth, and the country is a leading candidate to enter the European Union. This implies inherent growth, and investors realize that."

Development of RM-System, Capital Market

95CH0289F Prague EKONOM in Czech 21 Jun 95 p 28

[Interview with Eng. Vladimir Stecher, deputy director of the RM-System, by Petr Wawrosz; place and date not given: "The Future of the RM-System Is Not a Problem"]

[FBIS Translated Text] Development of the RM-System (RM-S) is staying in the shadow of the Prague Stock Exchange. Its business volume is smaller by an order of magnitude, prices tend to be lower. We therefore asked Eng. Vladimir Stecher, deputy director of this organization, how he sees the future of his enterprise, and what the RM-S is doing and will be doing to attract major investors and, thus, more business?

[Wawrosz] The volume of business at the RM-S currently amounts to about 80 million korunas [Kc] per week. This is not much. Does it assure a future?

[Stecher] It is difficult to estimate the future of the Czech capital market. Only a year ago, its future seemed to be beautiful—now overall prices are at about one-third or one-fourth of the level of last year. The fact that we are not achieving greater volumes of business today need not mean anything in the long run. We continue to have promise; our system is constantly developing, we are adding new functions. We do not want to engage only in organizing a secondary market, but also a primary market—we are helping issuers with their new issues and with additional services. We are not afraid for the future of the RM-S.

[Wawrosz] Following the advent of securities from the second round, there was a brief period of "recovery." Now, the market has tended to return to stagnant waters. On the one hand, there is certainly no activity on the part of holders of investment coupons who received their securities. On the other hand, however, adequate demand continues to be absent. What can be done to remedy the situation?

[Stecher] For the time being, securities were received only by people who invested in enterprises. In these cases, we do not count so much on the fact that they will want to specifically be rid of them. I tend to believe that not until the majority of the funds begin to issue their own securities and participation certificates will it be possible to expect a larger quantity of those who wish to sell and buy. This will probably not happen much before fall. If you recall the first round, even in 1993, there was first a decline in prices, and then a growth in the fall, which continued into the early months of 1994, and then the current decline occurred. From the standpoint of demand, it is clear that the development

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of prices does not depend on domestic investors. For the time being, the decisive role is played and will clearly be played by foreign investors. Their hesitation some two to three months after introducing the securities based on the second round need not mean anything. Moreover, these securities have undoubtedly diluted the market, and stabilization will be ongoing for some time to come.

[Wawrosz] For foreign investors, the Czech capital market is one of many markets. They can choose from among ourselves, Poland, Hungary, but also South Korea, Singapore, and other countries. Can we be made to look still more attractive?

[Stecher] I could repeat the well-known thesis on the macroeconomic stability of the Czech Republic. Certainly, various things can be done to advertise our country. But a continuing large number of investors perceive the market in central and East Europe as a whole and do not overly differentiate. If we participate in the most varied conferences and symposiums which are held in countries with market economies, we overly frequently tend to hear views which do not, for the present, recommend investment. There are constant references to risk factors and insecurity, the danger of crime, mafias, bureaucracies, frequent changes in laws, or the fact that conditions continue to be fluid.

[Wawrosz] The Stock Exchange and the RM-S have virtually the same system for trading; and access to them is similar. It is true that small stockholders can trade directly in the RM-S, but large investors make use of your on-line system much as do members of the Stock Exchange who no longer trade so much on the trading floor, but via computers. In the competition between these markets, the Stock Exchange is clearly in the lead. How do you intend to change this status?

[Stecher] It must be stressed that the RM-S is, for the most part, cheaper than the Stock Exchange for the average holder of investment coupons. Even so, we are faster in some cases. Moreover, in 15 locations in the entire republic, we have so-called rapid mailrooms; it is possible to come here each day from 0900 to 1445 hours and place an order which will be included immediately in the auction. In the event a trade is actually accomplished, we conduct the settlement that evening in the SCP [expansion unknown] and, at the same time, money matters are taken care of. Nothing faster exists. The number of these rapid mailrooms will be expanded to the maximum—something that is happening. In the case of institutional investors, we are also increasing the number of on-line terminals; a number of renowned business people already have them so that even here we cannot expect any more fundamental changes, but rather additional improvements in current services. It is our goal to handle the maximum amount of services via computer equipment—in other words, as fast as possible.

The markets are certainly hampered by transfers made across the counter at the SCP. We believe unequivocally that such transactions should be restricted. This would certainly benefit the entire capital market; such trades result in tax evasion and the funds have various different origins. However, this is a matter for the appropriate organs.

[Wawrosz] I take it you are in favor of the proposed amendment to the securities law, which would prohibit securities traders from trading outside of the public markets?

[Stecher] Speculators surely benefit from center-type trades. On the other hand, someone suffers for it, and this can be none other than the state. I consider the present status to be curious. The consideration to publish prices involved in transfers died at the halfway point. This limitation could have improved the situation. It is certainly necessary to differentiate between a paper being transferred by a grandmother to her grandson, or where commercial transfers between institutional investors are involved. Except that there can be cases which are not completely clear, and in preparing the appropriate restrictions, care should be taken to prevent the actions of speculators, but not to damage the small stockholder. And this is not a simple matter.

[Wawrosz] In recent times, the opinion is ever more frequently heard that, in the case of many corporations, coupon privatization created the prerequisites for actual privatization. In some cases, particularly those involving smaller firms, it appears to be sensible for a strong owner to own them. High-risk capital is beginning to make an appearance here. Should not the RM-S adapt to these facts? The Stock Exchange is considering splitting itself into three markets. Are you not figuring on something similar? Are you somehow preparing for this development?

[Stecher] According to the law on securities, we are required to broker trades involving all publicly tradable securities. We can therefore definitely not choose which ones we want and which ones we do not want. We cannot give any quotes. Our market can certainly be divided into two, three, or even more parts, but we are not counting on this in the immediate future.

I agree that the market will be purged gradually; but I would not consider it to be the most fortuitous solution, particularly from the standpoint of small stockholders, if the corporations were to decide to limit the public tradability of their securities. Purchases by major investors

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must be treated in such a manner that existing stockholders would suffer no losses. It must also be realized that if you do away completely with tradability, you virtually lose the latest information you have regarding enterprises. Which investor would then be interested?

[Wawrosz] But there is already a shortage of information....

[Stecher] The market will understandably not start up as long as you do not convince the firms to regularly publish data on their activities and results. Even if an enterprise has good economic results, interesting prospects, an investor will not buy in as long as the enterprise does not sell itself from the information standpoint. The Computer Equipment Enterprise, which is our mother corporation, has a project calling for access to information and is devoting itself to this problem. But there has to be goodwill on both sides; the majority of enterprises has not shown interest in the publication of this information, on the basis of the poll conducted. This status suits the current management which can quietly live within it. In some places, the failure to publish information can conceal efforts to let stock prices decline to the lowest point and then to buy them up. However, there is the question as to whether ownership by management is the right thing to do. If I use the analogy of employee shares, enterprises which opted for this method frequently saw a predominance of short-term interest on the part of employees over the prospects of the firm. And I do not believe it is certain that a similar development will also not occur in the case of management shares.

Current enterprise policy which calls for nonpublication of information, but which prefers short-term goals, cannot last forever. I believe that the enterprises will gradually begin to realize the importance of information and the importance of developing the prices of their securities as competition increases and as this occurs as a result of integration processes. Even for this reason, I believe that both the Czech capital market and also the RM-S itself definitely have a future.

Low Liquidity of Businesses Causing Concern

95CH0308C Prague PRAGUE POST in English 11 Jul 95 p 10

[Article by Gary Byrd: "Low Liquidity Plagues Even Well-Capitalized Firms"]

[FBIS Transcribed Text] Down, down, down has been the mantra at the Prague Stock Exchange for over a year. And the market's lack of liquidity isn't helping matters any.

Brokers say that low liquidity stems from two main sources: conservative investment funds and inadequate legislation. And that is why many of the country's largest companies are not necessarily moving on the exchange.

Cash-rich institutional investors seeking to dump millions of dollars into the stock market are finding slim pickings, since the market isn't liquid enough to fill tall orders with satisfactory speed.

"If you want to buy $5,000 (worth of shares), it's not a problem, but, for institutional investors, it's a question of liquidity," says Juraj Kovac, an analyst with CS First Boston. Not surprisingly, the most highly capitalized Czech companies on THE PRAGUE POST's list of biggest capitalized companies are also some of the largest companies in the republic. Yet sheer size means little to the stock market if the companies are illiquid.

Harvard Brokerage Services notes that Ceske energeticke zavody (CEZ)—the most heavily capitalized company in the country—bucks the trend and is heavily traded, as is Elektrarna Opatovice. For the most part, though, the market is illiquid.

Take the case of Tabak. Tobacco giant Philip Morris owns over 70 percent of the company's shares, which leaves institutional investors battling for the remaining stocks.

In the same way Philip Morris is tying up Tabak's stocks, many investment funds are being stingy about their portfolio shares.

Kovac estimates that investment funds acquired 70 percent of all shares through the coupon privatization process. And the funds' tightfisted policy of passive trading is a key element in the low liquidity of the market.

Brokers are hopeful that the trend will change over time, perhaps encouraged by a dose of government intervention.

"It will probably require regulatory measures to motivate the funds to become more active in trading," says Kovac.

Most funds are playing the role of passive investor because shares are trading well below the price that funds originally paid for them.

Banking concern Ceska sporitelna, for instance, is now trading at 30 percent of its early 1994 value. Instead of taking a loss on the shares and passing it on to fund shareholders, many funds—which own roughly 30 percent of the bank—are sitting tight.

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Alexander Angell, director of sales and trading at Wood & Co., says that another contributing factor to low liquidity is the vast number of Czech investors. He says that roughly 15 percent of the U.S. population owns stocks, compared with the Czech Republic, where the number is 40 or 50 percent. This is expected to change in the near future as many investors sell their shares to buy consumer goods or pay for vacations, he says.

Angell says poor capital-market legislation is also to blame for low liquidity.

"There is a lack of legislation to force trading through the (exchange)," laments Angell. He argues that if legislation forced all trading over the stock exchange, liquidity would improve.

The market's liquidity initially did receive a boost from the second wave, which added more than 650 companies to the exchange.

Some of the most attractive companies were SPT Telecom, Galena and Chemopetrol. Many second-wave companies' shares began to slide as soon as they hit the market, but they did offer investors more choice. This was short-lived.

After a short while, total second-wave liquidity began to disappear, and at one point there were no SPT Telecom shares available.

"In terms of percent, there is less liquidity on the market now (than before the second-wave companies hit the market)," says Bernhard Eiwan, director of securities trading at Zivnostenska banka.

Liquidity will improve over time as pension funds and other market forces begin to show signs of life, Eiwan anticipates.

One point all brokers agree on is that lack of liquidity is a major problem for highly capitalized companies.

Lack of liquidity means that there "is no way to get in or out of the market," says Eiwan.

Inflation Seen as Threat to Economy

95CH0289G Prague ZEMEDELSKE NOVINY in Czech 12 Jun 95 p 1

[Article by Jiri Vavron: "Inflation Will Probably Be the Greatest Problem for the Czech Economy"]

[FBIS Translated Text] The government this year wants to suppress inflation beneath the 10-percent level which, from the economic standpoint, would be a success. At the same time, however, a number of processes are ongoing in the Czech economy this year which signal that inflation could begin raging sharply. Its rise to above the anticipated 10-percent level can be influenced by continued deregulation of prices in the Czech Republic (in other words, by limiting the influence of the state on its upward motion).

Since June, the price of electric energy and gas has increased; as of July, the prices of rentals will be freed up. Economic growth is occurring within the economy primarily as a result of the growth of domestic demand for goods and services which is very desirable on the one hand, but at the same time means that it provides a specific impulse to price increases—in other words, to a sharper growth of inflation. In the Czech economy, wages are rising faster than productivity, which is not good. Moreover, in the current period, there are sharp increases in pressures for a radical even 100-percent increase in the wages of teachers, health care workers, and railroad employees. If this occurs, it will also result in strong inflationary pressures. Foreign capital which cannot be effectively absorbed by the strength of the economy is streaming into the country. In a period of five months, this influx amounted to $3 billion. This money is invested, for example, in factory development, but is also deposited in accounts to earn money thanks to our high interest rates. This means there is less money for goods, there is no place to invest money for the long term, all of which can result in increases in prices—inflation. This development has resulted in a certain controversy between the central bank, which requires the government to share in gaining control over the influx of foreign capital, and the government, which, for the time being, does not consider these steps to be essential. On the contrary, government economists point out that the danger of sharp inflation for the time being is preventing the prices for imports to the Czech Republic from rising. Czech manufacturers of goods manufactured from imported materials thus need not raise prices. Not even consumer goods which are imported are specifically more expensive, so that Czech retailers need not raise retail prices. Furthermore, the growing competition within the economy has an anti-inflationary effect with some manufacturers attempting to persuade those who would raise prices for the time being to temporarily hold the prices of their comparable products at the original level. Inflation is also retarded by measures adopted by the Czech National Bank even though, in the words of its representatives, this is costing the bank significant resources. Reports on the development of inflation in the Czech Republic are to be issued today by the Czech Statistical Office.

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Kovacs: NATO Strikes May Help Peace Process

LD3008184195 Budapest MTV Television Network in Hungarian 1730 GMT 30 Aug 95

[Passages within quotation marks are recorded]

[FBIS Translated Text] [Announcer] According to Foreign Minister Laszlo Kovacs, NATO's action in Bosnia does not jeopardize Hungary's security. Laszlo Kovacs said that the air strikes might move Bosnian diplomacy out of its stalemate, and the search for a way out might begin.

[Unidentified correspondent] Laszlo Kovacs believes that the bombing of Serb positions does not endanger us.

[Kovacs] "This situation does not jeopardize Hungary's security; the whole Yugoslav crisis obviously does."

[Correspondent] The foreign minister said that the Hungarian Government is in favor of a peaceful settlement, but Serb atrocities make it believe that military intervention was necessary.

[Kovacs] "If the Bosnian Serbs do not take this morning's warning seriously, then there will be even more severe attacks. After all, this can create better conditions for a political settlement of the crisis, in the sense that it makes the Bosnian Serbs see reason. Their behavior so far has been one of the greatest obstacles to a settlement."

Kovacs Rejects Suggestion To Renegotiate Borders

AU3008141295 Budapest NEPSZABADSAG in Hungarian 30 Aug 95 p 3

[Article by Miklos Ritecz: "Kovacs: It Is Hazardous To Dispute the Borders"]

[FBIS Translated Text] It would be a hazardous venture to question the borders, and the Hungarian Government has no such intentions, Foreign Minister Laszlo Kovacs told NEPSZABADSAG in reaction to the recent Debrecen statement of the Hungarian Justice and Life Party [MIEP]. According to Kovacs, statements similar to that of the MIEP can be used for inciting an anti-Hungarian atmosphere beyond the border, and for proving the—so-called—Hungarian border revision efforts.

In the Debrecen statement drawn up to "solve the Hungarian aspects of the south Slav crisis," among other things the MIEP emphasized: "If Hungarian self-determination cannot be implemented, and the Hungarians cannot defend their ancient dwelling place within Serbia, the simplest and most just solution would be if the Hungarian side could also participate in the partition of the territories, and the area of Vojvodina which is inhabited by Hungarians, some towns and villages where the largest number of Hungarians are living in one block, became Hungarian territory." The MIEP would like the United Nations to include "this Hungarian border issue and the fate of the 350,000 Hungarians" among the items in the current process of defining the borders.

Kovacs told NEPSZABADSAG that no talks are under way on the borders of Serbia, Croatia, or Slovenia. Plans indeed exist on the division of Bosnia, but the many years of conflict is the cause of this. No such situation exists in Vojvodina and I trust that it will not exist in the future, either, Kovacs said. Yugoslavia's example shows precisely what tragic consequences the questioning of the existing borders has. Kovacs agrees that the forceful repatriation of Krajina Serbs into Vojvodina is unacceptable, and the Hungarian Government does not consider mass resettlement acceptable even in a peaceful form. It has indicated this to Belgrade. However, questioning the borders would be a hazardous venture and the Hungarian Government has no such intentions, Kovacs emphasized.

We also asked Kovacs about the message from Brussels in which, according to our information, the European Union turns down Prime Minister Horn's initiative on a Budapest conference to be organized on the south Slav crisis. Kovacs said that he would receive representatives of the EU troika on the morning of 30 August and they will give him Brussels' response. This can be a letter, or a verbal message is also possible. Kovacs will only learn its contents after he receives it.

Minister Denies Horn To Take UN Post

LD3008191895 Budapest Kossuth Radio Network in Hungarian 1600 GMT 30 Aug 95

[FBIS Translated Text] Sandor Csintalan, deputy chairman of the Hungarian Socialist Party [HSP] was asked by the "Daybreak" television program this morning whether he was aware of Prime Minister Gyula Horn's alleged nomination to the post of UN deputy secretary-general. Following the interview with Sandor Csintalan, we also asked Foreign Minister Laszlo Kovacs about the same. Csaba Por was the reporter.

[Begin recording] [Por] Sandor Csintalan was unable either to deny or confirm the allegation that Sandor Nagy [chairman of the National Federation of Hungarian Trade Unions, MSZOSZ] will be Gyula Horn's successor in the prime ministerial post, if the present prime minister is elected to be the UN deputy secretary general in six months time.

However, Laszlo Kovacs has firmly announced that the news, that the prime minister is planning to take a UN post is unfounded.

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[Kovacs] I am unaware of this idea. I can state with certainty that Hungary has not received such a request. I can also say for certain that Gyula Horn does not have such plans, ambitions. [end recording]

SZDSZ Outlines Terms To Remain in Coalition

LD3008202195 Budapest Kossuth Radio Network in Hungarian 1600 GMT 30 Aug 95

[FBIS Translated Text] The junior government coalition party, the Alliance of Free Democrats [SZDSZ], has informed the press about their terms for staying in the government coalition. Edit Schranz reports:

[Schranz] It emerged a few minutes ago that the SZDSZ has summed up its proposals for talks with a negotiating delegation of the Hungarian Socialist Party [HSP] in seven points. Among them are the following:

The SZDSZ calls for the formation of a so-called economic strategy committee, with the participation of the two government parties' parliamentary groups, and government officials in charge of economic matters. The committee should be led by two cochairmen, one from both parties.

The second point calls for the Ministry of Trade and Industry to remain undivided, but says its name could be changed to the Ministry of Economy. The SZDSZ proposal does not include the question of whether this means that Sandor Nagy could be appointed to the head of the ministry, or whether Imre Dunai should remain in office.

The SZDSZ is of the view that since the Privatization Law has already been passed, and a united privatization organization has also been set up, there is no need for a separate minister for overseeing privatization. The post of minister without portfolio responsible for privatization can be abolished, the SZDSZ says. That is to say, the SZDSZ would relieve Tamas Suchman, but they are not against the proposal that the head of the Prime Minister's Office [Elemer Kiss] should become a minister without portfolio.

In order to improve the government's public relations work, the SZDSZ, in line with international practice, proposes to fill the vacant government spokesman's post, and in order to coordinate communication between the government and the two government parties' parliamentary groups, the SZDSZ proposes to set up a communication coordination committee.

Chairman on Coalition Conflict

AU3008175195 Budapest NEPSZAVA in Hungarian 30 Aug 95 pp 1, 4

[Interview with SZDSZ Chairman Ivan Peto by Anna Dano; place and date not given: "Peto: The Prime Minister Gave an Ultimatum"]

[FBIS Translated Text] Ivan Peto, chairman of the Alliance of Free Democrats [SZDSZ], looks upon the prime minister's 29 August morning statement as an ultimatum. In his view, Prime Minister Gyula Horn said that the Free Democrats either accept the plans to expand the government or they leave the coalition.

[Dano] What are your views on the fact that, in the Nap Teve [Hungarian television's morning program] on 29 August Horn clearly called the government expansion an acid test?

[Peto] This prime ministerial statement is an ultimatum. It more or less says that the SZDSZ either leaves the coalition or it unconditionally accepts the prime minister's will. I cannot understand where the psychological change is here. The only change which can be perceived is that this might have been the first time it was said that the expansion of the government and the cause of people to be put in positions is more important for the prime minister than maintaining the coalition.

[Dano] What balance would you draw of the coalition's first year? Have the party's hopes in connection with the coalition come true?

[Peto] The question is how the SZDSZ sees the coalition's operation. Whichever way this situation gets solved, the SZDSZ had to enter the coalition and had to try if a compromise existed which would form a joint program between the SZDSZ and the Hungarian Socialist Party [MSZP] in an acceptable way. If in connection with the debate it turns out that this did not succeed, I still maintain that we and the country would have been worse off without trying this out. The reasons for joint governing are still valid, even if the coalition ceased to exist. The SZDSZ has shown flexibility, we accepted ultimatums many times when we should not have accepted them, but we thought it more important to maintain the coalition. The final assessment is obviously not a task for this moment.

[Dano] How do you see Horn's statement according to which the coalition agreement is not a dogma?

[Peto] I cannot interpret this statement. Naturally, the coalition agreement is a dogma in the sense that it can only be changed by the joint will of the signatories. At the moment, we are debating an issue in which a common denominator does not seem to exist. In our

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view, in this case, the coalition agreement cannot be changed the way the MSZP and Horn are suggesting.

[Dano] Does the SZDSZ insist on the mathematical proportion as regards occupying governmental positions?

[Peto] If we had insisted on mathematics then we would not have consented to creating the positions of political state secretary for youth affairs or of minister without portfolio in charge of privatization, or to creating other political state secretary positions. Although we did not agree, we acknowledged these new positions. Rather than numerical proportions, we are interested in the functioning of the government. We cannot accept that they handle the MSZP's internal political debates by setting up new governmental positions. Naturally, we are not interested in whether they offer us new governmental offices because this is not a matter for bargaining. It is no use denying that it is impossible to think of a coalition in which one side has three times as many parliamentary deputies as the smaller party but five or six times as many ministers. Although in its preliminary statements the MSZP promised a better situation for the SZDSZ than its parliamentary proportion, this has since changed. However, the fact that the prime minister now wants to create three new Socialist positions can only be interpreted in such a way that the proportion within the government will be changed significantly.

[Dano] You recently said that should a new ministerial position be created, this should be given to the SZDSZ. Should we take this statement seriously?

[Peto] I quoted what the prime minister had said in public in connection with the minister without portfolio in charge of privatization. Now I can admit that we made this demand and made the Socialists accept it because we hoped that this would put an end to creating new positions.

[Dano] To what extent does the expansion of the government with Socialist politicians reflect the thought of opposition and even certain Socialist polticians that the SZDSZ is the government's dominant and overwhelming force?

[Peto] Since the coalition was formed, this statement has been made by certain opposition politicians as a weekly compulsory task. If the prime minister wanted to treat paranoias then it is a bad method to keep expanding the government with Socialist politicians until Gyorgy Giczy [chairman of the Christian Democratic People's Party, KDNP] says that the SZDSZ has now been put in its place. I assume that something else is guiding the prime minister.

[Dano] While the government's last change was made in the interest of unity (industry minister Laszlo Pal replaced by Imre Dunai), to what extent can Sandor Nagy's [chairman of the National Federation of Hungarian Trade Unions, MSZOSZ] possible appointment be looked at in the same way? How similar is Nagy's program to that of Finance Minister Lajos Bokros?

[Peto] We do not want to deal with Nagy's person or program while we are talking about the positions. As we consider the setting up of the position impossible, we are not particularly interested in Nagy's program as a minister candidate. Naturally, I am interested in his program as a trade union leader and as an MSZP politician.

[Dano] Do you think it possible to maintain a single-center economic policy and Bokros's influence not to be diminished with Nagy's appointment?

[Peto] If a new economic policy position is created in the government, it is impossible for Bokros's influence—although it is not his person that is important here—within the government to remain the same. In that case, we will have two government members dealing with the macro economy. It is difficult to separate financial stability and the economy's other, not daily issues. Rather than eliminating the existing operational disorders, this would create new disorders.

[Dano] In the MSZP, did former finance minister Laszlo Bekesi and party Deputy Chairman Judit Csehak stand by your stance in opposition to Horn?

[Peto] They did not stand by the SZDSZ but they certainly represent similar views to us. I am convinced that they are not the only ones.

[Dano] What are you views on Nagy's 29 August radio statement according to which if this is not an issue of personalities then it is an issue of much bigger coalition problems? What are these coalition problems?

[Peto] The fact that this is not a personnel issue does not mean that we will now declare that Sandor Nagy is a minister. If we simply consider the debate on the ministerial position as a personnel problem then we have to say that it makes no difference who it is. Rather than dealing with itself, a government's task is to make decisions. The fact that the prime minister has been personally dealing with such issues for weeks is hindering the government's operation. We are debating basic principles, rather than persons.

[Dano] What are your views on Nagy's statement, also made in the radio's 29 August morning chronicle, that he has always supported the Bokros program?

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[Peto] I remember this differently. It is a fact that he eventually voted for the Bokros program but, unlike the government and the coalition, he had pushed through a rather important amendment motion which affects a rather small strata of society. The billions of forints which this cost could have been used somewhere else, for example, for family support. I have to say this even if the employees who enjoy this extra money will obviously not spend it on luxury consumption. The point is that this decision ran counter to the principles on the just sharing of burdens. I cannot imagine that a person who torpedoes his own government's proposal on an important issue in Parliament should be rewarded by offering him a role in the cabinet.

[Dano] If the SZDSZ does not consider the expansion of the cabinet justified, would it be willing to agree to a new division of the positions?

[Peto] We suggest to the MSZP that two people each from the two parties prepare a thorough analysis on the government's functional problems and on whether we agree on these. If they come to the conclusion that this governmental sharing of labor is unsuitable for handling the problems then this is worth discussing. However, such analyses have not yet been made.

[Dano] Elements of Horn's proposals remind me of the governmental structure that was earlier drawn up by [law lecturer] Tamas Sarkozi.

[Peto] He did not suggest this. Sarkozi suggested that an economic top minister, rather than the Finance Ministry should be the economic policy center. He suggested that a strong prime ministerial cabinet should be set up with different tasks to what is contained in the current proposal. The proposal which was made public by Horn is not a solution. It is not a copy of Sarkozi's suggestions. Raising the administrative state secretary position of the Prime Minister's Office to the rank of minister without portfolio would only nominally mean a strong chancellor's office. The functions, for example economic legislation, which could be part of a rather strong chancellor's office, could not be part of this. This would simply be a case of bestowing a title.

Nagy Remains MSZOSZ Head, Supports Coalition

LD3008203895 Budapest Kossuth Radio Network in Hungarian 1600 GMT 30 Aug 95

[Passages within quotation marks are recorded]

[FBIS Translated Text] Several people thought that Sandor Nagy, chairman of the National Federation of Hungarian Trade Unions [MSZOSZ], would announce at today's board meeting his intention to resign, thus enabling him to take up a ministerial [economy minister] post. However, the politician remains MSZOSZ chairman, and as he said, he does not see any reason why he should break up the coalition agreement. Agnes Pap reports.

[Pap] Like Lajos Bokros [finance minister], Sandor Nagy took a stance for the importance of the coalition. It is known that at the time the coalition was formed he was not a keen supporter of a joint government with the Alliance of Free Democrats [SZDSZ].

[Nagy] "My view is that this coalition is needed. It is not an emotional issue. A coalition is always the fruit of the actual political situation, and this is how we must think of it, with this responsibility. A government crisis would do no good for this country; this is my view."

[Pap] Sandor Nagy told me that he would make a decision in a few days on the prime minister's proposal for restructuring the government.

[Nagy] "I believe it would be an unacceptable statement if I had to consider that I am the test of the coalition's cohesion, because in this case I might understand that otherwise existing serious tensions have just been waiting for a chance to come to the surface. I do not believe that such a circumstance can be a test."

Views Government Reshuffle

AU3008162295 Budapest NEPSZAVA in Hungarian 30 Aug 95 pp 1, 4

[Interview with Sandor Nagy, chairman of the National Federation of Hungarian Trade Unions, by Zsuzsa Szep; place and date not given: "The Coalition Does Not Depend on Me"]

[FBIS Translated Text] Sandor Nagy, chairman of the National Federation of Hungarian Trade Unions [MSZOSZ], has not yet given his consent to the offered ministerial position. In the second half of this week, Sandor Nagy will meet the prime minister and Finance Minister Lajos Bokros to discuss his sphere of authority and the possibilities of the position of economic minister. Sandor Nagy will decide on whether to accept the offer only after this.

[Szep] Would you step down from your ministerial candidacy if the coalition broke up because of you?

[Nagy] Perhaps, I could be subjective. I have no reason, whatsoever, to think that the people working in the government are of such a fantastic caliber that this excludes the possibility of my occupying a position in this government. I do not think that the hysterical tone around the planned government expansion emerged because of my person. I do not want to engage in guesses. In my opinion, the Alliance of Free Democrats

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[SZDSZ] is taking an honest share of the government power, and there is no lack of balance here. It would be wrong to say that the survival of the coalition only depends on me.

[Szep] Why was it important for Prime Minister Gyula Horn to make you a government member?

[Nagy] You should ask him about this. The prime minister decided in favor of reorganizing the government based on the experience of one year of government. I agree with him that the government activity lacks the thinking, analysis, and planning work connected with the real economic processes, their coordination, major economic projects, their management, and the creation of financial constructions. The creation of the position of economic minister is probably connected with this.

[Szep] Does this mean the successor of the planning office in a more modern form?

[Nagy] It makes no difference who gives what name to this position. Serious planning organizations are active in a considerable number of market economies in Europe. Market economy does not mean that one does not have to think in advance.

[Szep] People wondered why the prime minister is making a place specifically for you in the government. Some people say that, by this, Gyula Horn wanted to avoid your running for the position of party chairman at the upcoming congress of the Hungarian Socialist Party [MSZP]. According to another version, Gyula Horn regards you as his successor in the position of prime minister. Others say that the goal is to place you "under prime ministerial supervision" and you are also invited into the cabinet to counterbalance the tough Bokros package. Which version is true?

[Nagy] These are simple speculations, and not serious factors. If we formulate it differently, the last version might even be true. Economic policy cannot only mean the use of budgetary, fiscal, and monetary means. Consideration of real economic processes is essential, and it is allowed to draw the conclusions from a different viewpoint. This can lead to debates, and the government decision will emerge from this. I do not believe in the myth according to which the Finance Ministry is the center of economic policy.

[Szep] As MSZOSZ chairman, you often criticized the finance minister's restrictive economic policy. Lajos Bokros will remain the head of the economic cabinet. How can these two facts be harmonized in your common work? Have your positions moved closer to each other?

[Nagy] I have never criticized the restrictive policy alone, because this is the consequence of the current upset balance. One can dislike the stabilization program, but one must, nevertheless, face the facts. My critical observations were made when I saw that other solutions are not analyzed and decisions are made without considering other possibilities. I always claimed that we need efforts, of course within rational limits, for the economic growth to continue. Aware of the real economic processes, we must thoroughly consider the economic policy, everything that belongs to economic and social stability. My position has not changed on these issues. Nor is it necessary to change, because the expansion of government does not mean that two persons should now think the same.

[Szep] You asked for time to consider the offer. What are you considering?

[Nagy] Together with the prime minister and the finance minister, we must discuss the tasks and sphere of authority of this economic ministry, the coordination of decisions connected with the real sphere, and the coordination of decisions connected with some foundations. It also makes a difference what means this ministry will have to carry out its tasks. I must consider all this.

[Szep] What tasks and sphere of authority would you like?

[Nagy] Tasks with which we can better coordinate the activity of various economic ministries. This is a situation that can be created through a simple decision within the government. The cabinet provides a coordination right to the economic ministry, a right that represents genuine interference and insight into the activity of various sectors and economic ministries.

[Szep] Finance Minister Lajos Bokros will, nevertheless, remain the head of the economic cabinet.

[Nagy] This does not mean anything. Given its situation, the economic cabinet mainly deals with macro balance problems, including state management, fiscal, and monetary policy issues. It is not its task to take a position on and coordinate specific economic sector problems.

[Szep] In what areas does your position radically differ from that of the finance minister?

[Nagy] According to my experience, a part of the written press wants to prove by all means that my views are incompatible with the government program. Laszlo Bekesi did that in his speech on 29 August. These are empty allegations and unfounded declarations. Therefore, I do not want to answer them at all.

[Szep] Will the employees benefit from the fact that a trade union leader gets into the government? Will the trade union lobby become stronger?

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[Nagy] I can only answer that after the events. If I accept a government position, will I be able to create conditions and prepare decisions within the government which also take the interests of people living form wages into consideration? I have always regarded this as a basic viewpoint.

[Szep] Are you afraid from the industrial lobby?

[Nagy] There are many lobbies in this country. I regard the healthy lobbying as natural; however, if this takes unhealthy proportions, it become bad, and I will take a stand against it.

[Szep] Will you return to the MSZOSZ when your ministerial mandate expires?

[Nagy] Stuffed cabbage is the only food that is good reheated.

[Szep] Whom would you welcome as your successor in the MSZOSZ?

[Nagy] I think that those who made various statements ahead of time are irresponsible. The MSZOSZ is not a one-person organization. There will be nominations, as required by the statute. The Federal Council will decide whether it is necessary to convene an extraordinary congress. They should consider whether it is necessary to have a congress because of mere personnel matters.

[Szep] Can you also nominate a successor?

[Nagy] I am a member in the Presidium. Obviously, as long as I am a member, the nominating committee will ask my opinion too.

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Akashi: Halt in Air Operation Depends on Serbs

AU3108091195 Paris AFP in English 0857 GMT 31 Aug 95

[FBIS Transcribed Text] Zagreb, Aug 31 (AFP)—The massive NATO and UN strikes on Serb position in Bosnia will end only once the Bosnian Serbs change their attitude and stop threatening Sarajevo, the UN special envoy to ex-Yugoslavia said Thursday [31 August].

Yasushi Akashi said the operation which began early Wednesday was continuing and a decision to end it "depends on the attitude and policies of the Bosnian Serb party."

In Paris, Defense Minister Charles Millon vowed Thursday that the airstrikes, backed by artillery of the Franco-British-led Rapid Reacton Force, would continue until all Serb artillery dumps, radars, and missile bases were destroyed.

"The international community, through the United Nations and NATO, wants to eliminate, and I mean eliminate, any threats to peace and security," Millon said speaking in a radio interview.

Akashi said that heavy fog over the Bosnian capital Sarajevo Thursday had prevented alliance planes from conducting any raids.

"Today because of the fog we have some difficulties in pursuing air action but the action itself will be pursued," Akashi said.

He added that "on the basis of some indications of the willingness of the Bosnian Serb party to discuss peace, we made certain proposals through the intermediary of Serbian President Slobodan Milosevic, and I am waiting for the official response of that party."

Akashi did not specify the nature of the proposals but said one condition to stopping the raids was the full withdrawal of all heavy weapons from a 20-kilometer (12-mile) exclusion zone around Sarajevo.

He added that he had no information on the fate of five European Union observers the Serbs claim were killed during the raids.

European Commissioner Hans van den Broek earlier said that the five observers had been reported missing before the NATO raids began.

"At this time, there is no reason to stop these operations," he said. "Through force and determination, we want to reopen the road to peace because there is only one diplomatic solution, one political solution, but to carry out negotitiations we need to be in a position of force."

"The Serbs received numerous warnings, we explained to them, at every level, that we wanted to negotiate and wanted to stop all the carnage."

Claes Warns Serbs To Stop 'Provoking Us'

LD3008170195 Brussels La Une Radio Network in French 1600 GMT 30 Aug 95

[FBIS Translated Text] NATO's military operations against Bosnian Serb positions could resume within the next few hours and even in days to come. It all depends on the attitude of the Bosnian Serbs and, above all, of their armed forces chief, General Mladic. Here is what NATO Secretary General Willy Claes said to our reporter, Jean-Michel Mostarte:

[Begin recording] [Claes] If Gen. Mladic is willing to agree to, and observe, our conditions, then there is no point in continuing our military actions. But if, on the contrary, the Bosnian Serbs continue provoking us, or causing damage, or failing to respect, as I said earlier, the most basic rules of civilized society, then we will persist. [end recording]

[Mostarte] The Bosnian Government Army could take advantage of the NATO bombardments in order to launch an offensive against the Serb forces. If so, NATO and the United Nations could be accused of having taken sides in the war.

[Claes] We will do everything possible so as not to take sides in any conflict. We do not wish to strengthen one of the parties currently in conflict. All we are trying to do, as I said before, is to carry out our mandate. To be quite frank, we also hope there will be an indirect consequence, and that is to convince all those involved, the Muslims as well as the Serbs and the Croats, that there is in fact only one solution: return to the bargaining table, take the international community's proposals seriously, and show the necessary willingness to make concessions so that, in the end, an overall compromise that is both workable and acceptable to all sides can be reached. [end recording]

Army To Stop Activities During NATO Action

AU3008200595 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 30 Aug 95

[Statement by Ferid Buljubasic, spokesman of the Bosnia-Herzegovina Army General Staff, for Radio and Television Bosnia-Herzegovina; in Sarajevo on 30 August—recorded]

[FBIS Translated Text] According to the reports of the Bosnia-Herzegovina Army troops from positions around Sarajevo the following activities by the NATO Air

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Force and the Rapid Reaction Force [RRF] have been registered:

As it is known, at 0205 [0005 GMT] the Air Force acted in the wider Jahorina region and neutralized a VOJIN [vazdusno osmatranje, javljanje i navodjenje—air warning service] system and a little later also a PVO [protivazdusna odbrana—antiaircraft defense] system of the Chetnik troops deployed in that area. At 0345, the Air Force acted in the Jahorina region, in Kosuta, to be precise, where VOJIN system radars were positioned. At 0330, we could hear activity somewhere in the area of Kalinovik. At 0415, the Air Force acted against Pretis military factory. On that occasion two installations were set ablaze. They burned for about an hour, after which several consecutive explosions were heard, which suggested that one of the installations in which the final produce of Pretis's military production was stored had been hit. At 1055, the Air Force attacked Gavrica Brdo. We observed smoke and three burning buildings in the Gavrica Brdo area. At 1120, in the Trebevic area, near water spring number 4 great flame and smoke was observed after the Air Force attack. This probably involved an attack on dug-in artillery arms and a tank. At 1213, we noticed a smoke cloud, that is, thick smoke in the Duboki Potok area. At 1220, we heard activities in the wider Duboki Potok area.

Between 1200 to 1400 smaller groups of NATO Air Force again attacked Duboki Potok, Gravrica Brdo, and Lukavica, somewhere in the region of the Electro-Technical Faculty, therefore, the Lukavica barracks, and also on Vranjesi Pavlovac hill, the fortified positions in Lukavica where tanks and artillery that had attacked the town were dug in. At 1445, they attacked Zunovnica, that is, the warehouses somewhere in the Hadzici area, and afterward Pavlovac and Mladice, which are also in the vicinity of the Lukavica barracks. At 1450 ensued the attacks on Vranjes and Pavlovac, again buildings within the Lukavica barracks. There was another attack on Mladice, Vranjes, and Pavlovac at 1500. At 1510, the Air Force attacked Zunovnica. On that occasion powerful explosions were heard and big smoke was noticed in the region.

The RRF artillery at 0430 attacked Hadzici, at 0500 Kijevo, Brezovaca, Golo Brdo, Lukavica, Trebevic, Crepoljsko, and Hrese. At 1215 the RRF artillery attacked Vrace, and at 1530 the artillery attacked Blagovac, Poljine, and Crepoljsko.

The general characteristic of the activities by the NATO Air Force and the RRF artillery is that, judging from what could be seen and observed from our defense lines, the attacks were carried out exclusively against military installations. Therefore, all these tales that we hear in the media of the so-called Serbian Republic about attacks on a hospital, civilian targets, and so on, they are definitely false. Generally, all attacks were aimed exclusively at military installations, primarily the artillery positions. When I enumerated all the installations that were attacked by the artillery and the Air Force, over the past four months the residents of Sarajevo have more or less memorized them from the usual journalistic reports about the localities from which death was sowed in Sarajevo.

This afternoon we also obtained a letter that General Bernard Janvier, commander of UN Protection Force [UNPROFOR] for the former Yugoslavia, sent to [Bosnian Serb Army commander] Mladic. He emphasizes in that letter that the air strikes are a result of the letter that he had sent to Mladic on 14 August, following NATO's 1 August decision, and that the attacks are also a result of an agreement between NATO and all UNPROFOR commanding structures in the former Yugoslavia and on the territory of Bosnia-Herzegovina. It also transpires from the letter that the action has its goal and that it will last until all artillery arms around Sarajevo are destroyed or withdrawn, and the latter is what Janvier suggests to Mladic. It can also be seen from this letter that the action undertaken by NATO forms a part of an agreement of the London summit, that is, the London Conference of 21 July 1995.

With the agreement of the top political offices of the Republic of Bosnia-Herzegovina and the Bosnia-Herzegovina Army General Staff, a portion of the RRF force will enter Sarajevo itself. These forces will be deployed within the town. If need be, these forces will respond from within the town. This is, therefore, a warning that if there will be any activities from within the town it should be kept in mind that these will be the actions of the RRF, that is, the RRF artillery. The Bosnia-Herzegovina Army units from the beginning of the NATO air strikes, throughout the day, and in the future will not exhibit any combat activities. As it is widely known we in the General Staff, that is, in all our units consider these activities to be NATO pact activities, that is, they represent the fulfillment of the UN obligations stemming from the resolutions and the NATO ultimatum. The Bosnia-Herzegovina Army will not take advantage of these activities to improve its positions within the town or for any other provocative actions.

Pejanovic: Crime Had To Be Punished

AU3008201795 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 30 Aug 95

[FBIS Translated Text] Mirko Pejanovic, member of the Bosnia-Herzegovina Presidency and president of the

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Serbian Civic Council, stated that the crime committed in Sarajevo two days ago, when the rebel Serbs killed 38 and injured 87 people near the municipal market, finally had to be punished.

The conscience of those who are responsible for human rights in the world has finally been stirred. I expect that this action will put a stop to the human suffering in Sarajevo and that the war will finally end, Pejanovic stated to ONASA agency.

He expressed a belief that these attacks on the positions of the rebel Bosnian Serbs will not stop the peace process and said he believed that those forces that threatened with force will finally comprehend that the people of this country cannot be ruled by force and that a moderate faction must be found within the Serbian nation, which would agree to a peace on these territories.

Downed French Pilots Contact NATO Forces

AU3108065695 Paris AFP in English
0642 GMT 31 Aug 95

[FBIS Transcribed Text] Paris, Aug 31 (AFP)—Two French pilots shot down during a NATO air raid against Bosnian Serb stronghold of Pale are alive and have contacted NATO forces, French Defense Minister Charles Millon said Thursday [31 August].

Millon said on the Europe 1 radio station that the two had communicated to NATO that they were on Bosnian territory and said he hoped a rescue operation would be carried out "in coming days."

Pale: Pilots 'Will Be Captured'

LD3008181495 Pale Srpski Radio-Televizija Studio Sarajevo Radio in Serbo-Croatian
1700 GMT 30 Aug 95

[FBIS Translated Text] The antiaircraft defenses of the Army of the Serb Republic at about 1450 [1250 GMT] today downed yet another NATO pact aircraft. Black smoke could be seen from one of the three aircraft which flew in formation above Serb Sarajevo after it had been hit. This morning the Serb Army downed a NATO aircraft over a wider area of Pale. The Serb radio and TV has learned unofficially from the press bureau of the Serb Republic that the pilots of one of the downed aircraft have been located and will be captured.

Deaths of EU Monitors in Pale 'Not Clarified'

AU3008204495 Paris AFP in English
2026 GMT 30 Aug 95

[FBIS Transcribed Text] Brussels, Aug 30 (AFP)—Five European Union observers, reported to have been killed Wednesday in Serb-held Bosnia, had been missing since Monday night, the European Commissioner for relations with East Europe, Hans Van den Broek, said.

EU officials in the Montenegrin capital Podgorica said earlier the five, plus their driver and interpreter, were killed Wednesday as NATO war planes blasted Serb positions in Bosnia.

Van den Broek, for his part, refused to confirm their deaths.

"There are victims who have not been identified and the circumstances of their death has not been clarified," he told a press briefing in Brussels.

"Five European Union observers were reported missing since Monday night, but nothing is definitive, and we are in contact with the Spanish presidency of the European Union which should give more details on Thursday," he added.

Bosnian Serb radio and television reported the observers were killed in Pale in a vehicle accident attributed to the NATO airstrikes in retribution for the Bosnian Serb mortar attack on Sarajevo on Monday.

The spokesman for the European Community Monitoring Mission (ECMM) based in Montenegro refused to say where the members of the mission were killed or give the circumstances of their deaths.

The ECMM identified the dead as senior Spanish diplomat and mission chief Fernando Sanchez Rau, his assistant Jose Luis Esponera, and Zenon Luis Quintana, both from Spain; James Fitzgibbon of Ireland; and Pieter Schoonenwolf of the Netherlands. Interpreter Olga Meden and driver Aleksandar Rastovic, both from Montenegro, were also killed.

In Madrid, the EU Presidency issued a statement Wednesday night confirming that "several" European observers died "in unclear circumstances." The statement did not specify how many observers were killed, and did not give their names, as "no EU representative has for the moment been able to visit the place where their bodies are."

"We were only able to identify documents belonging to commander Zenon Luis Quintana who was in Bosnia for a peace mission with six other people, among whom four have died. Among the latter could be head of the EU observation mission in the former Yugoslavia, Ambassador Fernando Sanchez Rau and deputy chief of mission Brigadier Jose Luis Garcia Esponera," the statement said.

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Spain Doubts Serb Version

BR3108131095 Madrid EFE in Spanish 0921 GMT 31 Aug 95

[Unattributed report: "Spanish Blue Helmets Continue in State of Yellow Alert"]

[FBIS Translated Text] Madrid, 31 Aug (EFE)—The Spanish Blue Helmets, who are carrying out UN humanitarian missions in Bosnia, are still in a state of "yellow alert" and are carrying out their activities "in tranquility," according to military sources in the area.

These sources doubted that the presumed death of the three Spanish EU observers in Pale, close to Sarajevo, had been caused by NATO bombing against Bosnian Serb military positions, as had been reported yesterday.

The sources said that there was no single target from the Atlantic Alliance on the road where the presumed death of the observers occurred. They also stressed that the precision of the allied bombing leaves little margin for error in determining targets.

They also added that, according to some images of the vehicle in which the observers were traveling broadcast by Bosnian Serb television, both the corpses and the remains of the armored vehicle were burned as a result of an antitank grenade of the kind used by the Serbs.

In the area where the Spanish Blue Helmets are deployed, no Bosnian Serb retaliation or noteworthy incidents have occurred, except for some explosions several kilometers from Mostar.

The Blue Helmets have suspended the missions which are not absolutely necessary, such as the work of the sappers, and they have increased their self-protection, as is required by the state of "yellow alert," ongoing since 0900 [0700 GMT] following the start of the NATO air raids.

These sources said that on previous occasions when NATO attacks took place, Mostar, where the Spanish battalion is deployed, has not been a target of the Bosnian Serbs, whose front is situated 5 km from the city.

Right now, the Spanish military in the area believe that Mostar will not be a military target either, because to do so the Serbs would have to cross both a Muslim and Croatian firing line.

Our sources do not consider the possibility of the Blue Helmets withdrawing from Bosnia because of NATO's decision to attack Bosnian Serb positions. In this sense, they repeated that the Aragon Group will move to Bosnia in October to replace the Galicia Group which has been in the area since April 1995.

Serb Sources Report on NATO, RRF Strike Damage

Sarajevo Damage Detailed

LD3008192095 Pale Srpski Radio-Televizija Studio Sarajevo Radio in Serbo-Croatian 1700 GMT 30 Aug 95

["Report from the Sarajevo front" by correspondent Savo Guzina]

[FBIS Translated Excerpt] Intensive, destructive artillery and air operations, and stoicism, dignity, and defiance in the light of the bestial and unscrupulous behavior by the world's policeman and their Muslim proteges are the main features of events on the Sarajevo front today. Throughout the night and today, frenzied artillery fire has been directed against almost all parts of Serb Sarajevo.

The Novo Sarajevo municipality has been literally razed to the ground by the multinational Rapid Reaction Force, UN Protection Force, and Muslim units from all types of artillery weapons, mortars, and howitzers. Shells are landing from Mt. Igman and from the temporarily occupied Muslim parts of Sarajevo. Lukavica, Kasindol and its local hospital, which has been heavily damaged and cannot receive patients, Vojkovici, and other Serb areas in the Zeljeznica River valley have borne the brunt of the shelling. The damage caused is enormous, and the shelling is continuing.

Vogosca and its surrounding areas, or rather the locations of Blagovac, Kremes, and Rosulje, and the Centar municipality, especially Radovo and Poljine, were also attacked early this evening with 155-mm howitzer shells fired from Mt. Igman, most probably from Rapid Reaction Force weapons. The damage here is also enormous, but there have been no casualties.

Early today, Vogosca suffered appalling bombing. Rockets and heavy bombs destroyed many facilities and caused an enormous amount of damage to industrial and residential buildings in Vogosca, as well as in Blagovac and Hotonj. It is hard to believe but there are no fatalities in these areas. [passage omitted]

Damage in Villages Examined

AU3008200395

[FBIS Editorial Report] Banja Luka Srpska Televizija in Serbo-Croatian at 1300 GMT on 30 August carries in its 15-minute newscast several reports updating the current situation in light of the NATO air strikes.

Bijeljina correspondent Ljubomir Ljubojevic says that "in the first hours of the morning, NATO combat

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jets carried out air strikes against the Majevica area, too. According to the reports we have had so far, one soldier of the Serb Republic Army East Bosnian Corps was wounded and two were concussed during destructive explosions caused by the bombing. There is still no official information about the consequences of the NATO air strikes."

The studio announcer takes over to say that "the NATO Air Forces also targeted Serb forces on Romanija, particularly Serb villages in the vicinity of Sokolac," introducing a Snezan Lalovic video report from the scene. Pointing to a large crater created by "a destructive bomb," Lalovic says that "the material damage is immense, but fortunately there were no casualties here." Having interviewed several civilians in the village of Vidrici, Lalovic concludes that "the NATO jets targeted civilians, far from the separation lines. Ruins, dead cattle, and fear constitute the latest Western visiting card."

The studio announcer proceeds to say that "this morning, NATO jets carried out several air strikes against civilian targets in Vogosca. The population does not panic, as they have gotten used to combat activity and detonations during former Muslim offensives."

She goes on to say that "Serb Republic Foreign Minister Aleksa Buha warned that, by tonight's aggression against the Serbs, NATO has overstepped its powers. Minister Buha believes that the alleged Serb shelling of the Muslim-controlled part of Sarajevo is not the real reason behind the senseless act of the international community. The Serb Republic foreign minister expressed bitterness over the fact that the international community refused to form a mixed commission to investigate the Markale [Sarajevo market] crime."

Civilians Targeted Near Mostar

LD3108084195 Belgrade SRNA in Serbo-Croatian 0822 GMT 31 Aug 95

[FBIS Translated Text] Bileca, 31 Aug (SRNA)—NATO aircraft last night carried out two air strikes against civilian targets in the area of the municipality of Nevesinje [20 miles southwest of Mostar], Serb military sources have announced.

Three NATO aircraft took part in the attack, causing huge material damage.

Fortunately, there were no casualties.

Damage Near Gorazde Assessed

LD3108101295 Belgrade TANJUG Domestic Service in Serbo-Croatian 0901 GMT 31 Aug 95

[FBIS Translated Excerpt] Srbinje, Bileca, 31 Aug (TANJUG)—The war presidency of the municipality of Srbinje announced this morning that one civilian was killed and a number of others wounded in NATO air strikes on the municipalities of Srbinje, Serb Gorazde, and Cajnice yesterday.

The NATO air force has destroyed a communications tower near Cajnice; the village of Tulovici near Ustoklina, between Gorazde and Srbinje, has suffered the worst destruction: six NATO aircraft razed to the ground 15 houses in the village, and a significant number of economic facilities were also destroyed, a statement says.

Eye witnesses say that Tulovici resembles a village that has experienced an atomic bomb explosion. Bombers released missiles and a huge number of bombs, some of which weighed up to 1,000 kilograms, against this village. Two 500 kg bombs did not explode. [passage omitted]

Encouraged by NATO air strikes, regular troops of the Republic of Croatia last night pounded Serb villages in the vicinity of Trebinje between Stolac and Ljubinje with artillery. Hardest hit were civilian targets in Uvjece, Bijograd, Zgonjevo and other Serb villages south of Trebinje. There were no civilian casualties, but fresh material damage was caused.

Pogarcic Views Prerequisites for Bosnian Croats

AU3108094195 Zagreb VECERNJI LIST in Serbo-Croatian 26 Aug 95 p 7

[Interview with Vladislav Pogarcic, deputy foreign minister of the Republic and Federation of Bosnia-Herzegovina, by Milan Sutalo; place and date not given: "We Are Close to an Acceptable Solution for Bosnia-Herzegovina"]

[FBIS Translated Text] The duties of the minister for international relations of the Croat Republic of Herzeg-Bosnia [HR HB] and the deputy minister of foreign affairs in the Government of the Republic and Federation of Bosnia-Herzegovina make Vladislav Pogarcic a person capable of giving competent answers to the numerous questions that concern the momentary positions of the Croatian people in Bosnia-Herzegovina. We began this interview with one such question.

Political Solution to the Crisis

[Sutalo] How does the Croat side in Bosnia-Herzegovina feel about the U.S. peace plan?

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[Pogarcic] Probably because of the tragic death of the three U.S. officials, the Croat side in Bosnia-Herzegovina, the president of the federation and the president of the presidential council of HR HB, Kresimir Zubak, and other Croat officials, have not been acquainted with the details of the U.S. peace initiative, so we cannot really express an opinion on that peace proposal. However, from the media reports and from our contacts with the officials of Bosnia-Herzegovina and Croatia, we can see that the most influential world powers have become aware that the crisis in the former Yugoslavia must and can be solved through mostly political means, which does not exclude military action (lifting of the embargo....) and economic means: By giving guarantees for help in postwar reconstruction.

[Sutalo] Has a meeting of the U.S. delegation with the representatives of Croats in Bosnia-Herzegovina been planned, and why have the U.S. officials up until now avoided the Croat side in Bosnia-Herzegovina?

[Pogarcic] I hope that the U.S. delegation was not avoiding the Croat side; instead, I believe that the tragic events merely prevented them from meeting with the representatives of Bosnia-Herzegovina Croats and acquainting them with the U.S. peace initiative. Of course, in this intermezzo we have communicated with the relevant U.S. officials and we did get some information, but it did not come from the leader of the delegation, Mr. Holbrooke, so we cannot consider it official. I have no doubt that the United States is going to include Croat members of the Bosnia-Herzegovina state in their approach to solving the crisis.

No Solution Without Croats

[Sutalo] The Croat side in Bosnia-Herzegovina has been neglected in the media and in diplomacy, and, on the other side, do you not think that the foreign minister of Bosnia-Herzegovina, Muhamed Sacirbey, in his frequent appearances in the media, represents only the standpoints of the Bosniaks?

[Pogarcic] The basic standpoint of Bosnia-Herzegovina Croats is that no peace solution will be possible without the active participation of relevant Croat factors. The Croats are a constituent people in Bosnia-Herzegovina and they have the legitimate right to be internationally represented in searching for a solution to the crisis.

We are not satisfied with the way the positions of Croats have been represented on the international scene up until now. On the other hand, Minister Sacirbegovic communicates daily with Croatian Foreign Minister Granic, so there is coordination in implementing and conducting the policy. We hope that through a further development and consolidation of the institutions of the Federation of Bosnia-Herzegovina the situation will significantly change to the advantage of the Bosnia-Herzegovina Croats.

[Sutalo] As the deputy foreign minister of the Republic and the Federation of Bosnia-Herzegovina, do you have any influence on Bosnia-Herzegovina's foreign policy?

[Pogarcic] Without too much diplomatic vocabulary: Croat officials have no influence on most activities in foreign policy. That is one of the crucial disputable issues, which could have a significantly different valorization in the future, after the realization of all agreements on the federation, including the Split Agreement [on military cooperation].

[Sutalo] Why, despite the agreement, are there no Croats in the diplomatic and consular missions of Bosnia-Herzegovina?

[Pogarcic] I will correct you a little bit. There are a number of Croats who work in the diplomatic missions, but none of them has the compliance of that part of the Croatian people in Bosnia-Herzegovina who won the last elections and are represented by the Croatian Democratic Community. Our partner usurps the rights of the Croatian people, both in the diplomatic and consular missions and in the Ministry of Foreign Affairs of the Republic and Federation of Bosnia-Herzegovina.

Rapid Forces of Unknown Mandate

[Sutalo] Military commanders of the Rapid Reaction Force are refusing to sign the agreement with the representatives of the federation because they do not agree with the provision of the agreement that says they will not interfere with the liberating actions of the HVO and the Bosnia-Herzegovina Army. Does that not arise some suspicions about their true intentions?

[Pogarcic] The Rapid Reaction Force, judging by the way it entered Bosnia-Herzegovina and the way the international community reacted to that, are here to prevent any further successes of the Croat and Bosniak sides in the solution of the crisis. We have no other explanation for the very illogical behavior of the United Nations, which for two months now has not given any answers about the mandate, distribution, and other things concerning the Rapid Reaction Force.

[Sutalo] How do you see the future of the federation and the solution of the crisis in Bosnia-Herzegovina?

[Pogarcic] The federation is a political minimum for the Croats in Bosnia-Herzegovina. The Constitution of the Federation of Bosnia-Herzegovina allows differences for both sides, which will enable them to develop alongside each other. The final solution for Bosnia-Herzegovina is the political solution that will fulfill three

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basic interests of the Croats: First, absolute equality as a constituent people of Bosnia-Herzegovina; second, the exclusive right to represent their own interests and preserve their own rights in Bosnia-Herzegovina; and, third, a unitarian organization of Bosnia-Herzegovina, which will be accomplished through political means in the consensus of the three national entities. I believe that we are not far from a solution that would be acceptable for all three sides.

[Box, p 7]

Herzeg-Bosnia Does Not Have an Expiration Date

[Sutalo] Since New Year's the federation should have overtaken all the competences given to it by law. Is it realistic to expect that, and would that mean the end of the functioning of the HR HB?

[Pogarcic] We have had many unrealistic deadlines that were not obeyed. However, for the further development of the federation, solving the questions that the Croatian side has posed to our partner is more important than the deadlines. I believe that in the statements about the end of Herzeg-Bosnia, there is a fundamental lack of understanding of the reasons for its creation. Herzeg-Bosnia is a political entity of the Croat people, which enabled the defense and survival of Bosnia-Herzegovina as an internationally recognized legal subject. Therefore, to put it figuratively, Herzeg-Bosnia does not have an expiry date. It is an instrument and a guarantee for the protection of the rights and interests of Croats in Bosnia-Herzegovina, and it has been remodeled several times, according to current circumstances. Herzeg-Bosnia will not cease to exist as long as such a constitutional and legal model for the crisis in Bosnia-Herzegovina is found that will guarantee the protection of the interests and rights of Croats like Herzeg-Bosnia does, and we see that model in the federation.

Croat Expellees To Settle in Glamoc

LD3008205995 Zagreb HTV Television in Serbo-Croatian 1730 GMT 30 Aug 95

[FBIS Translated Excerpt] According to a decision adopted by the government of the Croat Republic of Herzeg-Bosnia, a large number of evicted Croats from the Banja Luka area will be resettled in the area of Glamoc. The first group will arrive tomorrow. [passage omitted]

Serb Infantry Attacks on Bihac Reported

AU3108113495 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1000 GMT 31 Aug 95

[Report by Muhamed Mulic from Bihac]

[FBIS Translated Text] Supported by artillery and tanks, the joint aggressors on several occasions attempted infantry breakthroughs at Vrgar from the direction of (?Dubovica), and at Turski Kozjen, and the wider area of [name indistinct]. Following hours-long fierce fighting, the 5th Corps successfully stopped the aggressor attacks, and pushed the enemy back deep into the temporarily occupied territories.

At the same time, the joint aggressors' long-range artillery shelled the outskirts of the Bihac, Cazin, and Bosanska Krupa municipalities. The aggressor's shells inflicted fresh, extensive material damage, while several civilians sustained serious and minor injuries. Substantial movements of the enemy army have been reported deep in the Mt. Grmec area.

Provocations on Doboj Front

AU3108115995 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1000 GMT 31 Aug 95

[Report by the 3d Corps Information Service]

[FBIS Translated Text] In addition to increasingly frequent provocations along our defense lines, the Chetnik artillery also targeted civilian targets on the Doboj-Tesanj and Zavidovici part of the front. Some 10 heavy shells were fired at Kalosevic, and another 10 at villages in the Krivaja River valley; however, except for extensive material damage, there were no other consequences.

Several enemy helicopters were sighted in the area flying on the Doboj-Mt. Ozren route, but our troops are in complete control of our lines and will not allow any surprises to happen.

Attacks on Gradacac Front

AU3108113795 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1000 GMT 31 Aug 95

[FBIS Translated Text] In the 2d Corps theater of operations, the enemy attacks were the most pronounced on the Gradacac front where enemy mortars and cannons targeted roads and the area around the local secondary school.

The 2d Corps reconnaisance sources have reported that from 1900 [1700 GMT] to 2200 land and air traffic was extremely brisk along the well-known Posavina corridor. Sixteen helicopter overflights were reported; moreover, 200 motor vehicles traveled along the corridor in

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both directions. Such intense traffic in the course of one night has not been registered in the past two years.

As far as NATO air strikes in the 2d Corps theater of operations are concerned, NATO jets yesterday afternoon shelled the Kraljica radio relay system on Mt. Ozren. At this point, 2d Corps reconnaissance sources have no information on losses or damage to the aggressor's installations.

Serb Army Reports Croat Attacks in Herzegovina

LD3008191095 Belgrade TANJUG in English 1840 GMT 30 Aug 95

[FBIS Transcribed Text] Bileca, Aug 30 (TANJUG)—The local Bosnian Serb Army command announced in Bileca that the Croatian regular army renewed on Wednesday morning artillery attacks on Serb positions and villages from Trebinje to Stolac, in Herzegovina, in the south of the former (?Bosnia) and Herzegovina.

Serb villages and positions of the Herzegovina corps came under the fiercest attacks between Stolac and Ljubinja, with Croatian forces using multiple rocket launchers and heavy howitzers. In that area, Croats fired over 200 missiles within one hour Tuesday [29 August] afternoon.

Serb villages in the region of Popovo Polje, west of Trebinje, came under the fire of multiple rocket launchers. Residenatial and other buildings are said to have sustained considerable material damage, but there were no civilian victims.

Fighters of the Herzegovina corps have responded adequately to all enemy attacks, the Serb command said.

Serbs Take Ground From Croats in Western Area

LD3108085895 Belgrade SRNA in Serbo-Croatian 0822 GMT 31 Aug 95

[FBIS Translated Text] Glamoc, 31 Aug (SRNA)—Since yesterday afternoon, Serb fighters in the Glamoc section of the western [Bosnian] Krajina front have been in control of the Glamoc valley and all important hills on the fringes of the valley, Serb military sources have reported.

As it withdrew before the advancing Serb soldiers, the Croatian Army set fire to villages.

Many civilian facilities in the town of Glamoc were also engulfed in flames yesterday afternoon.

Karadzic: 'Great War' Between NATO, Serbs

AU3008200195 Banja Luka Srpski Radio Network in Serbo-Croatian 1700 GMT 30 Aug 95

[Interview with Bosnian Serb leader Radovan Karadzic by an unidentified correspondent on 30 August; place not given—recorded]

[FBIS Translated Text] [Karadzic] A great crime perpetrated by the international community is under way; it is a moral disaster for the West; all the NATO nations must explain to their people and the entire international community, but primarily to their public, what NATO is doing in the civil war, and why it took sides.

Clearly, we know that this is an attempt to damage the Serbs, so that the Muslims and Croats could exploit this success and change the lines. Moreover, the United States probably wants to secure passage of its initative and to use force before we stated our positions concerning the peace initiative. I can only say that no one can do anything to this kind of people, and that they should not fool themselves, this is going to be a black spot on the consciousness of humanity, particularly on the consciousness of the West. I believe that a precedent has been created that will one day affect Russia, China, and all the other countries. Someone must stop this immediately, or else escalation will be inevitable, and the peace process will certainly be destroyed by these bombs, just as our facilities are being destroyed now.

[Correspondent] Mr. President, since our communications with the Federal Republic of Yugoslavia [FRY] have been cut off, does Belgrade know what is happening in the Serb Republic at the moment?

[Karadzic] I suppose that Belgrade knows; the entire world knows; whoever wants to know does, whoever does not want to probably does not, but those who want to know the real truth. The truth is that Serb Sarajevo, just as the other Serb towns and facilities, is being exposed to a great aggression on the part of the NATO Air Force, and that the issue is a great war between the Serb Republic and NATO. Naturally, their ground troops are Muslims and Croats, but their Air Force is serving that function [as heard], and we have to down whatever we can down.

[Correspondent] Mr. President, we have heard that there are many civilian casualties in Serb Sarajevo. Do you have any such information?

[Karadzic] There have been civilian casualties, but not enough, that is, there are not many, the people here have realized that not every shell kills. The people here are highly dignified, proud, and disciplined. They go to shelters, and there are not as many civilian casualties

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as our enemy would want. At any rate, the Serbs in Sarajevo have been holding out in this gun fire, and they have shown an immense will to keep their state and to keep their freedom.

[Correspondent] Mr. President, another question, do you as supreme commander have any information from your commanders about any changes in the frontlines around Serb Sarajevo?

[Karadzic] There have been no changes in the lines anywhere, and there will not be any, despite this, and just because they have been bombarding us, the lines will be even stronger, which will certainly be the Serb victory.

Mladic: Serbs Will Defend 'Centuries-Old Homes'

AU3108150695 Banja Luka Srpska Televizija in Serbo-Croatian 1913 GMT 30 Aug 95

[Interview with Lieutenant General Ratko Mladic, Bosnian Serb Army commander in chief, by Dragan Bozanic in Pale—live]

[FBIS Translated Text] [Bozanic] Our guest tonight is Lieutenant General Ratko Mladic, Serb Republic Army commander in chief. Good evening, general. Thank you for finding the time to come to our studio.

[Mladic] Thank you.

[Bozanic] What is going on? The world, the Western world, promises an olive branch, but you have seen that they have sent us bombs of over 1000 kg.

[Mladic] I have just seen the efforts of your reporters, and let me first say good evening to our people and our Army, and to commend our antiair defense for their achievements, to commend our people, all state structures, and members of the Army and police in particular, for their courageous behavior.

Tonight, since 0200 hours [2400 GMT] until the last couple of minutes, we have seen intense combat activity by NATO forces, the Rapid Reaction Force, in conjunction with UNPROFOR [UN Protection Force] and the Croat-Muslim coalition, against the Serb Republic. Today in the eastern part of the Serb Republic, especially in the areas of Sarajevo, Srbinje, Pale, Sokolac, Rogatica, Han Pijesak, Bijeljina, and Ozren, they literally targeted everything from the stables to military installations. Damage to certain industrial installations and private property is quite extensive. Some villages and towns, Sarajevo in particular, sustained immense damage and we have quite a few casualties, especially civilian casualties. We have quite a few wounded. I visited wounded soldiers and civilians in one of our hospitals today.

[Bozanic] General, the world obviously recognizes only force. What was the response of the Serb Army today? Please tell me once again, what was our response to the NATO air strikes. How many jets have we downed for sure until now?

[Mladic] I don't want to talk about that. They know how many are missing. We know exactly how many were shot down. Such flagrant involvement of NATO in this civil war, which, unfortunately, escalates by the minute, is fatal for world peace, not only for peace in this region. Instead of the expected turn toward peace, every time it is in the offing there is something, unfortunately, just as they improvised the monstrous Markale II [second massacre in Markale Square], which is their deed, and that has nothing to do with our army.

[Bozanic] Excuse me, general, do your experts, i.e. the experts of the Serb Republic Army, have information about who could have targeted the new Markale, Markale II, as you call it? Do you have direct evidence that it was not targeted by Serb soldiers?

[Mladic] We have 100-percent proof that we didn't do it. I would just like to say this. You see, they used 1000-kg air bombs to target some of our positions and, unfortunately, killed dozens of our civilians, and soldiers, wounding five in the Rogatica area. How could a 60-mm mortar shell that allegedly originated from our side kill almost 32 and wound more than 82 people? A 120-mm mortar could not have done it, even if they were all standing in a barrel. However, they used it to launch a media campaign and to deceive the world again, in order to continue with their crime against our nation, which comes as no surprise to those who follow events in this region. I think that now we all realize that they all belong to the same echelon, Croat and Muslims cutthroats, as well as the killers from the West, who, several times in the course of the war, tonight in echelons of 20, 30 jets, attacked certain positions, not only of the Serb Republic Army, but primarily industrial buildings, residential areas. Moreover, I have information that they struck in the vicinity of daycare centers, etc.

[Bozanic] General, what we find particularly interesting, something to which the world has not reacted, and we know why, is an attempt to install, in the past couple of months, a new superpower along the borders of the Serb Republic. Acting almost incognito, the Rapid Reaction Force, the French and the British, have dragged God knows how many soldiers to Mt.Igman, to the western edge of the Serb Sarajevo defense. Unfortunately, they attacked us today, but with offensive weapons. They used 155-mm artillery weapons that peacekeeping forces should not have.

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[Mladic] Yes. Unfortunately. Their demands that we pull out our heavy artillery, they even consider a small 60-mm mortar heavy artillery, while their 155-mm howitzers or state-of-the-art air force technology is allowed to pound positions in Sarajevo, though it is a protected zone. In other words, only areas controlled by the Muslims are protected zones in their mind.

However, I think that it is not enough to say and repeat what happened and how. I have known since day one that they belong to the same echelon. And by now they have realized that they cannot realize their goals with Croat and Muslim children in this region and now they send their own children. Not only do we expect more air strikes and artillery attacks, but activity by the Rapid Reaction Force as well, for they were not brought there to create peace or help establish peace, but to realize some goals. At this point, their first goal is to open the corridor toward Sarajevo. And we must be fully aware of that.

I am really glad to see the soldiers of the Sarajevo-Romanija Corps and the people holding out so bravely. We must, not only in that area, but throughout the country, be utterly determined to defend our centuries-old homes.

Regarding the Rapid Reaction Force, I have recently spoken to General Smith. He claimed that they were brought there without his consent and that the only thing he could do was to keep them on the territory controlled by the Croats and the Muslims, as the second echelon. He, too, feared that, since they were brought to the area without his consent, they would go into action, which proved true. He reassured me that he had nothing to do with the previous bombing of Pale and I can partly believe him. However, certain things happened, if you allow me, I do not know how much time I have.... I would like to inform our public. They should be ashamed of some of their moves. For instance, overnight and today, American, English, Dutch, and Spanish jets took part in the bombing. They took off....

[Bozanic] And French jets.

[Mladic] Yes, thank you. I stand corrected. They bombed us and we let those Dutch children leave Srebrenica as men, otherwise they would have been dishonored by the Muslims, worse than the Ukrainians were in Gorazde. If we had not helped them.... Imagine that, we saved their battalion, gave them a chance to leave, but less than a month later they bomb us. Or take the English, for example.

[Bozanic] ...who said, general.... Right now, I must admit that, as a reporter, I do not believe that they were really attacked in Gorazde. Perhaps that, too, was staged. They would have left it very soon.

[Mladic] That is possible. They could have even exchanged fire. However, I talked to General Smith and their lieutenant from Gorazde before they left, and they were very happy when our side said they can leave safely via our territory. You see, we allowed them to leave in a dignified manner. They were accommodated in Belgrade hotels. They even used three fingers to show our sign, to thank us for leaving, for getting safely to their homes, while today, some other English children, together with their American, French, Spanish, Dutch counterparts, bomb our children. You see the picture of a mother holding a two-, three-month old baby running because her house was hit.

Consequently, I am surprised that the international community bears an olive branch in one hand, urging us to accept some peace options, American or other, while sending waves of bombers or using artillery to pound the unprotected Serb population in the Sarajevo area.

[Bozanic] General, if we pause to think what is happening at this moment, this incredible NATO mass attack on the Serb Republic, the first impression is that this is an attempt to persuade the Serbs to approach the peace process, although it is not very favorable for them, although our Assembly accepted the peace plan as protected by the Americans. [sentence as heard] On the other hand, they may be trying to intimidate us or to make a push toward Sarajevo and do what the Muslims failed to do, to enter Sarajevo from our area, to artificially attempt a breakthrough, to give them direct military assistance. What lies behind that? My question is: do you think that Rapid Reaction Force will help the Muslims carry out another offensive on Sarajevo before the winter?

[Mladic] There is no doubt that they will do everything to help the Muslims and the Croats realize their goals as well as the goals of NATO. I have spoken about it on several occasions, in the media as well, because the Muslims and the Croats are now the front echelon of NATO forces. In this case, we can say NATO and certain member states, probably aware of the fact that they no longer have any partners left, they realize that the world is their garden, in which they can do what they want. And they probably want to feel like heroes against a small nation, but I think the situation will change after what they sustained today.

[Bozanic] We will see the video. General, today you visited some of the wounded. [video footage shows Mladic talking to the wounded]

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[Mladic] Yes, you can see.... Yes, those people were wounded today and were taken to hospital. You see this is one of them. This man is a civilian, he is an older man.

[Bozanic] He was obviously a great soldier so they had to use mortars to hit him. You can see the wounds were inflicted by shell fragments.

[Mladic] He is an older man, his arm is broken, but fortunately his condition is stable. Here we have a student....

[Bozanic] Unfortunately, today they also targeted universities. Classes were supposed to begin in Serb Sarajevo.

[Mladic] Unfortunately, the lower part of this man's leg had to be amputated. This is a soldier from Jahorina; his condition is fortunately stable. However, we have five wounded there today, and another man is probably buried under the rubble. He was lucky to survive the blast of a 1,000-kg air bomb.

[Bozanic] And while we are watching the video...General, you have recently met with the UNPROFOR [UN Protection Force] commander for former Yugoslavia and UNPROFOR commander for Bosnia-Herzegovina, General Janvier and General Smith. What do your counterparts say to a Serb general who stands his ground, fighting, defending his nation? What do they have to say to that Serb general to justify such bestial acts?

[Mladic] And here we see a man who is originally from Sokolac. His face sustained severe burns, but his condition is stable [refering to video]. Let me tell you, you ask a good question. I nevertheless appreciate their honesty, because they admitted to me that they are remote controlled, as I say. They decide very little themselves, they merely carry out orders.

[Bozanic] General Janvier, too?

[Mladic] Both of them. They have little influence on the situation. They are just scapegoats in this situation. Secondly, I must make this clear: General Smith, who now acts as a peacemaker, was one of the commanders in the Gulf Operation. Let us not get carried away and expect humanity from those who bomb us. They did not shrink from bombing 2,000-year-old Baghdad. Why should they shrink from bombing any village or town in the Serb Republic?

I warned them in time to move heavy weapons from Mt. Igman, for there is no need to use weapons against any warring side. They gave too many weapons to both the Muslims and the Croats, in spite of the embargo. Furthermore, I demanded that the madness they began without any cause or real reason be stopped immediately. Today at about 1630 hours [1430 GMT], General Smith gave me his reassurances, and I was informed that he had sent me a message, that he wants to meet with me and that he had proposed a cease-fire. The day before, General Janvier demanded that we withdraw our weapons [Mladic laughs]. I guess he wanted us to withdraw our heavy weapons, for they say mortars or bazookas around Sarajevo are heavy weapons, probably to get down to Sarajevo more easily. However, we cannot arrange such matters by fax, and we will stay in our positions. We will never be the first to open fire, but we will respond energetically when fired upon.

[Bozanic] Taking credit for what they did not do, Muslim officials boasted today that NATO air strikes against Serb positions around Sarajevo would stop the moment Serb heavy artillery is destroyed.

[Mladic] Frankly, if I were a TV person, I would not even mention those poor Muslims. They are so miserable.... They are just waiting for somebody new to bring them what they could not do themselves, for they were pushed into this situation by potentates from various metropolises of the world. Now that they have lost everything, all they can do is hope that NATO or somebody else will bring them what they could not achieve. On the whole, I think the time has come to talk about peace seriously, but we must nevertheless remain unbending, regardless of the terrible bombing by NATO, for this is our land. We will fight, we have the manpower, and we should not be afraid. I would like to let the people know, and I said this in today's telephone conversation with Mr. Koljevic and some other people abroad, that they bombed Vietnam for eight years, some of them even decades before, and they could not force their will by air force and bombers. [sentence as heard] Their air force cannot harm us. Our people should not be afraid. We must maintain discipline, go to shelters, go to the trenches, be ready to put up resistance, fight.... Their air force cannot harm us. They cannot predict our actions and they do not see us when we are well disguised. They must and they did demand the cessation of hostilities, because they started it all. We did not.... I do not want to boost the morale of the people by making false statements. If NATO attacks, whoever attacks us, we must defend ourselves, and we will manage to defend ourselves. Justice is on our side. We are fighting for our centuries-old land, our nation has lived here for centuries.

Furthermore, let me not forget to say that our people must know this: had it not been for the help from the West and the Rapid Reaction Force, the Croat forces would have never gotten to Grahovo and Glamoc!

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[Bozanic] I wanted to ask you about that. You mentioned the Muslims. They were obviously not successful, although they boasted that they were, especially in the past year on fronts in former Bosnia-Herzegovina. However, we must admit that the Croats were successful. Let me take this opportunity to ask you what the Serb Army will do to stop or to parry, in a stronger, more offensive manner, the regular forces of the independent state of Croatia, which are on our territory? That is one question. I was thinking of Grahovo, Glamoc, toward Drvar. My second question is what will happen, what do you think will happen on the Herzegovina front, where there is a large concentration of Croatian forces?

[Mladic] Without the support of NATO, neither the Croats nor the Muslims can do anything to us. And they never could, not even together. Croatia must unconditionally withdraw its Armed Forces from the Serb Republic territory and from all of former Bosnia-Herzegovina. Moreover, I must say that we, the Serb nation, can never recognize the occupation of a single square millimeter of our territory! Just as our ancestors survived for centuries in various empires, we, too, will fight and win our freedom and our state.

[Bozanic] Thank you, general.

Mladic Hires Greek Lawyer for War Crimes Defense

AU3008204795 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 30 Aug 95

[FBIS Translated Text] Criminals must pay for their crimes. The spring offer by the Greek Defense Ministry, at least according to reports in the Belgrade media, turned the war criminal Ratko Mladic toward the southern latitudes. He rejected the offer to accept the post of adviser to the Greek Army then, considering it to be unrealistic. However, after the publication of The Hague War Crimes Tribunal list of war criminals, which also contained his name, he took the decision about extradition of all criminals far more seriously.

This Hague tribunal candidate, before any other politician, wisely thought about his defense and engaged a Greek lawyer to defend him against the war crimes charges. General Mladic was made anxious by the indictment, and the famous lawyer (?Alexandros Likuresos) accepted the defense. (Likuresos) acquired worldwide fame precisely by defending controversial personalities in criminal cases ranging from forgery to murder. In a statement, he confirmed that he intended to travel to Bosnia for further consultations with his new client. It is possible that he will also take on some new cases during this visit. However, the question remains how to defend the people who are now mutually accusing each other for the crimes committed against their own people.

Not matter how slow, justice eventually catches up with everyone. Judging by the case of Mladic, a general who was renounced by his master, it seems that the time to pay has come. It is irrelevant who will go first.

RS Socialist Party Condemns NATO Air Raids

AU3108102195 Belgrade Radio Beograd Network in Serbo-Croatian 0900 GMT 31 Aug 95

[FBIS Translated Text] In its public announcement, the Executive Committee of the Main Committee of the Socialist Party of the Serb Republic [RS] most harshly condemns the attack by the Western alliance forces as the most brutal in its ferocity and the most massive in its scope so far launched on the RS. With this U.S. action, its NATO allies have openly sided with the Muslims, just as they have sided with the Croats in the case of the recent attack on the Republic of Serbian Krajina, thus using the UN Security Council as its instrument and violating all legal and moral norms by entering the war against the unprotected Serbian people.

The delight in the public of the NATO members which followed in the wake of the brutal action of its military apparatus against the (?1-million) strong Serb people in the SR must upset all UN members and cause a justified fear of the democracy of the kind offered by the United States.

We most energetically demand that NATO and the United Nations immediately stop their attacks on the SR and that the warring sides stop the war between them and arrive at a just peace through negotiations, it is pointed out in the announcement of the Socialist Party of the SR.

RS Army Seen as 'No Longer Superior'

AU3108100395 Belgrade NIN in Serbo-Croatian 25 Aug 95 pp 17-18

[Commentary by Miroslav Lazanski: "How To Shorten the Front Line"]

[FBIS Translated Text] How much will the military defeat of the Republic of Serb Krajina [in Croatia] influence developments in the Serb Republic [in Bosnia-Herzegovina], and will the Pale political and military leadership examine all the mistakes Knin made in order to draw conclusions from them? And, finally, is a military and political catastrophe like the one in Krajina possible in the Serb Republic?

Of course, the Serbs from Bosnia have always claimed that in the military sense they are made of "harder

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stuff" than the Krajina Serbs, have better military experience, have been at war for three years now, and have nowhere to flee. However, the Croatian victory in Krajina is gradually changing the balance of power in the former Bosnia-Herzegovina, or the balance of military potentials on the entire territory of former Yugoslavia.

A year ago, the Serb Republic was undoubtedly superior to the Muslim army of Alija Izetbegovic [Army of Bosnia-Herzegovina] and the Croatian Defense Council [HVO] forces, but that is no longer the case. With the fall of Krajina, and the failures on the Bihac front, and in Grahovo and Glamoc, the Serb Republic army's 2d Krajina Corps now faces a 250 km longer frontline towards militarily very serious opponents. If the Serb Republic army did not manage to defeat Alija Izetbegovic's 5th Corps [Bosnia-Herzegovina Army], which at the same time was fighting the forces of Fikret Abdic [breakaway Muslim rebel leader from northwestern Bosnia], the Krajina Serb forces, and the Serb Republic army's 2d Krajina Corps, it will be even more difficult now. It is certain that the Sarajevo government's 5th Corps is the best Muslim infantry in Bosnia, because they are Muslims from [Bosanska] Krajina who have managed to resist two years of war under complete siege. True, the siege was not hermetically closed, since Serb smugglers supplied the 5th Corps, but now, with the fall of Krajina, and the heavy weapons that the 5th Corps have acquired, the situation has become critical for the Serb army in that region. The 2d Krajina Corps must now defend their positions near Grahovo and Glamoc, in front of Drvar, near Ripac to the south of Bihac, at Grabez and near Bosanska Krupa. Many directions, and few soldiers.

Croats and Muslims

On the Srbobran front, the Serb Republic army's 30th infantry division successfully defended access to Jajce from the Muslim infantry attacks. Precisely, the Srbobran battle shows the entire complexity of the new balance of military power in Bosnia-Herzegovina. Before the Muslim infantry attack on the positions of the 30th division, the artillery of the HVO and of the regular Croatian Army gave support to the Muslims. However, when the Serbs started their counterattack and took the village of Komar, the Croatian artillery did not act, it left the Muslims alone, so that they had great losses.

The problem of central Bosnia, the relationships between Muslims and Croats, are reflected both in Kiseljak and Bugojno, where the Croatian population was a majority but later expelled by Muslims, and in Vitez, held by Croats. Serb forces have significantly improved their positions east of Doboj, and Muslims are now facing a big dilemma: Will the new, increased Croatian military power endanger the positions of Muslims in central Bosnia? Some HVO commanders, who refused to fight Serbs in central Bosnia, like Brigadier Rajic, have already been removed, whereas there has been no news of General Antun Roso for some time now.

At the same time, because of the failure in the Srbobran battle, the commanders of the 1st and 4th Muslim Corps [Bosnia-Herzegovina Army] were removed, and a number of officers of Alija Izetbegovic's army retired. The removed commander of 1st Corps, Vahid Karavelic, was moved to the General Staff of the Muslim army, like the removed commander of the 4th Corps, General Ramiz Drekovic.

The new commanders of the 1st and 4th Corps are Colonel Nedzad Ajnadzic and Colonel Mustafa Polutak, whereas General Rifat Bjelajac, Muharem Fetahagic, Fikret Jakic and Zicro Suljevic went into retirement. Removals and retirements in the Muslim army show that, regardless of the new weapons that that army is constantly getting, it has still not built its own identity, and in frontal battles it can still hardly oppose Serb forces. True, the Muslim army in the former Bosnia-Herzegovina already has 160,000 soldiers with around 100 tanks and 80 troop carriers, and around 10 helicopters. That is still not enough to resist the military power of the Serbs in Bosnia, who have around 90,000 men under arms, with 380 tanks, 300 troop carriers and armored vehicles, and about 40 aircraft and helicopters.

NATO against Serbs

However, the military balance of power also depends on the units of the HVO and of the regular Croatian Army, which are under a single command and often thoroughly integrated. It is estimated that Croatian forces possess up to 200 tanks, 150 armored carriers and 300 artillery pieces. In any case, viewed overall, the Serb army is no longer superior in equipment, and particularly not in manpower.

The Serb Republic army is stretched along a very long front line, it is in the position of having to wait for the enemy's attack, and at the same time not being able to undertake a bigger offensive operation. As for the troops, the members of the Serb Republic army would probably like the war to end as soon as possible. The military defeats that the Serb Republic army suffered on Mount Vlasic, in Glamoc and Grahovo, and the unsuccessful operation in Orasje, show the urgency of the need to end the war as soon as possible.

Despite the fact that after the Croatian "Storm" operation a lot of the Krajina army's military equipment went to the territory of the Serb Republic, and all the new

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M-84 tanks, "Oganj," "Plamen," and "Orkan" rocket launchers, and "Frog" surface-to-surface missiles were saved, that can only temporarily solve the problems.

Another difficult circumstance for the Serb Republic army is certainly NATO's decision to act on Serb land targets in the event the radars of the antiaircraft defense of the Serb Republic are combined with surface-to-air missile systems. That decision of the NATO and the United Nations is undoubtedly yet another of the many moves that limit and suspend the little technical superiority that Serbs in Bosnia had in comparison with other opponents.

After proclaiming the no-fly zone for Serb aircraft two years ago, the United Nations and NATO are now suspending the Serb Republic's entire antiaircraft radar-missile system. With the Rapid Reaction Force around Sarajevo, Croatian Army troops heading for Trebinje, Izetbegovic's 5th Corps and regular Croatian forces heading for Drvar and [Bosanska] Krupa, announcements of a new Muslim offensive around Sarajevo and the grouping of the Croatian Army's strategic reserve behind the Zupanja-Vinkovci line with the possibility of starting action against the Federal Republic of Yugoslavia, or in the Posavina corridor, the coming days will be decisive for the Serb Republic army. Will it possible to defend everything with equal strength and persistence, or is it more clever to shorten the frontline? The experience of Krajina says that those who wanted to defend everything equally ended up defending nothing....

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Tudjman Views Changes Brought by Liberation

AU3008154995 Split SLOBODNA DALMACIJA in Serbo-Croatian 28 Aug 95 pp 2-3

["Exclusive" interview with President Franjo Tudjman by Olga Ramljak; on the Freedom Train on 26 August: "We Shall Drink Traminer in Vukovar in a Year at the Latest"]

[FBIS Translated Text] [Ramljak] The citizens named this the Train of Freedom, Peace, Life, and Pride. We asked what Freedom Train [Vlak slobode] meant to his host, President of the Republic Franjo Tudjman, in an interview that was conducted especially for SLOBODNA DALMACIJA during the train's first journey?

[Tudjman] This is the proof that Croatian freedom has been finally and definitively consolidated in the sense that nobody can endanger it from Croatian territory any longer, as was the case with Knin and everything that it represented as the Chetnik den, and that such a Croatia as a regional power must willy-nilly be recognized by everybody.

[Ramljak] This is the year in which you are fulfilling the promises you made: Exiled persons can freely return to their homes from Pakrac to Knin. When will we complete the process of liberation and symbolically drink Ilok Traminer wine in Vukovar?

[Tudjman] You overlooked that I promised lamb in Knin to the Croatian basketball team in Barcelona and that I already fulfilled this.

If not this year, then before the year is up, counting from today. I actually prefer Grasevina, but we will drink the Ilok Traminer nevertheless.

[Ramljak] You dismissed eastern Slavonia and Baranja being linked to the U.S. plan of restoration of peace in the neighboring Bosnia-Herzegovina as well as the mere thought of possible bargaining with the Croatian coast for Serbian access to the sea. How shall we accomplish peace and freedom?

[Tudjman] Either within the framework of the latest U.S. peace initiative which for the first time managed to coordinate the proposal with the EU and Russia to a great extent. I shall wait and see if it is possible to restore the Croatian authority in that area, namely, in Vukovar and Baranja, within the framework of this initiative. If this fails, if the hopes of the main international and European powers who are counting on Croatia's and my personal cooperation in this undertaking also fail, then, understandably, I shall make a decision. I do not know what it will be called, but it will be the continuation of "Operation Storm."

[Ramljak] The peace in Croatia is also linked to the development of the situation in neighboring Bosnia-Herzegovina. The U.S. initiative for the final solution for the war in Bosnia-Herzegovina is currently producing no results. Only Pale has accepted the plan, Sarajevo sports a negative attitude toward this initiative, while the Croats in Bosnia-Herzegovina remain reserved. Croatia has the duty of taking care of the Croatian people, henceforth, how do you judge the prospects of this initiative from this standpoint?

[Tudjman] I have been repeating for two or three years that the Bosnian crisis is objectively speaking a truly complicated one, if not the most complicated crisis in the world. To resolve it in the interest of all who are directly involved in it, a decision must be made at the highest level of the European powers that will satisfy the constituent peoples of Bosnia-Herzegovina to the greatest possible extent and will represent a solution that will create the preconditions for a stable and new international order. Such a solution must be enforced on the side or the sides that would reject it with the assistance of the most organized military force, namely, NATO.

I kept repeating to my collocutors that even a substantially smaller NATO force would be more productive and effective than the ineffectiveness of the UN Protection Force [UNPROFOR]. Judging by everything that is happening now, it appears that the international protagonists are moving toward such a solution.

What To Do With Abdic

[Ramljak] One of the elements of the restoration of peace in Bosnia is the fate of the Cazin Krajina, that is, Fikret Abdic. How can Croatia assist in the repatriation of Abdic's people to the Cazin Krajina and what should be done with Abdic?

[Tudjman] It is in our interest that all people from the Cazin Krajina return to their homes: For principled, humanitarian, and also political reasons, because we know that Fikret Abdic accepted the Washington Agreements, and disregarding his conduct during this war when he collaborated with all sides, with the Yugoslav People's Army, the Serbs, and also with us in Croatia, with a justification that he was thus avoiding war in the Cazin Krajina. He also wanted talks with the Muslim leadership in Sarajevo. Bearing in mind the influence that he has in that area, it was necessary to join forces, and I thus proposed within the framework of the Split Agreement, and Mr. Izetbegovic accepted it, that a political reconciliation be reached with this mutinous portion of the Muslim population so that the residents would return home, that Abdic as well as others would be granted

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amnesty by the Bosnian Muslim authorities, and that he would do his job. His possible return on the political scene would have to be discussed later, perhaps after the end of the war.

Question of UNCRO

[Ramljak] Let us return to Croatia. Butrus-Ghali had already announced the departure of the UN Confidence Restoration Operation [UNCRO] which the Croatian public received with relief. How do you view their role in Croatia and what is their future in Bosnia-Herzegovina?

[Tudjman] If the question refers to their role from the very beginning, then many people fail to understand that by accepting the deployment of the peace troops in early 1992 we safeguarded the continuity of the Croatian state when the world still dreamed about and wanted Yugoslavia's reconstruction but did not want an independent Croatia. This facilitated a consolidation of the democratic order and creation of the Croatian Armed Forces. Here lies their positive role. With their help we achieved withdrawal of the Yugoslav People's Army from the Dubrovnik region. Everything that UNPROFOR and UNCRO did subsequently was a consequence of the fact that the Serbian side did not allow UNPROFOR, that is, UNCRO to carry out its mandate. On the other hand, to this very day the international community has not been willing to exert pressure on Serbia to make it accept the implementation of the peace mandate. Therefore, this is not so much about the type of peace forces as it is about the international circumstances in general. The strengthening of Croatia and the liberation of Croatian territory precipitated a change in the attitude of the international community, the United Nations, and Akashi. The latest Butrus-Ghali report has been the most favorable for Croatia. So far, UNCRO is leaving, and we agreed that, until the liberation of eastern Slavonia and Baranja, 2,500 men can remain instead of the current 14,000, that is, the envisaged 8,500, and perhaps they can play a positive role in achieving a peaceful reintegration of eastern Slavonia and Baranja.

Migrations

[Ramljak] Departure of the Serbs from Croatia and the arrival of the expelled Croats from Vojvodina and Bosnia-Herzegovina, a result of the greater Serbian manipulation and terror, is often blamed on Croatia. Could such mass-scale migrations have been prevented, that is, what are their consequences now that they have taken place?

[Tudjman] The Croatian democratic authorities and I personally did everything to prevent such large-scale migrations, displacements, and exodus.

If you recall, in one of the agreements between the Croatian delegation, or if you want, myself, Dobrica Cosic, and Serbian President Milosevic in Geneva at the end of 1992, when we agreed to take the first steps of normalization by opening the bureaus of Croatia and Serbia in Zagreb and Belgrade, it was stipulated in that agreement that "voluntary migrations" would be facilitated. One could have anticipated that a segment of the population would not accept the emergence of independent Croatia, while for a group of the Croats from Kosovo to Vojvodina the climate for their staying in Serbia would be very unfavorable.

Instead of everything that has happened now, the idea was to carry out a humane exchange as a part of the historic necessity of the normalization of Croatian-Serbian relations and also the future of these relations. However, we know what happened and regardless of the personal tragedy of these people the results will be positive because this will change the role that the Serbs in Croatia have played from the Turkish times to this date.

As quickly as possible, we should facilitate that this process be completed in the most humane way, that is, by allowing individual returns and the exchange of property between the Croats who were forced to leave and the Serbs who voluntarily chose to leave Croatia.

Compulsory Labor

[Ramljak] How can we provide for the expelled Croats and how can we return the refugees in Croatia to the liberated territories? How can we reanimate the life on the present free territory now that autumn is knocking on the door and burned-down houses are without roofs? It appears that the refugees are in no hurry while the reconstruction is running slow.

[Tudjman] This is a very serious problem for Croatia. To a degree, these refugees no longer wish to return. I maintain that the Croatian authorities will have to make decisions, pass legal decrees that they must return to the available homes and houses that remained intact. Furthermore, it would not be excessive to consider compulsory labor for the entire Croatia to rebuild and develop demolished towns so that we would escape the restrains of the present situation as quickly as possible.

Parallel to the compulsory labor, which ought to result in a speedier reconstruction, how can we resolve the property issues in the situation where there is a lot of abandoned, destroyed, and useless property?

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[Tudjman] We have already concluded in the Defense and National Security Council that we must pass legal bases which would place the abandoned property under state administration. This will allow the expelled persons from Bosnia, Vojvodina, Srijem [Srem], and Croatia to return without feeling unsure about doing it. This is in the interest of not only these people but the Croatian state, too. It will be sorted out either with an amendment to the law that is already in the parliamentary procedure or by a government decree with the power of law. The government was commissioned with such a task.

Elections Soon

[Ramljak] When will the elections be? Will you head your party roster?

[Tudjman] This year. I will head the party roster because without a majority party such as the Croatian Democratic Community [HDZ] we would not have a unanimous government, with the majority in the Sabor; therefore, I would not be able to pass the decision that I have made and which led to this Freedom Train, and before it, to "Operations Flash, Storm," and "Summer 95." To make operation "Summer '95" possible, it was necessary to form the Croatian Republic of Herzeg-Bosnia and the Croatian Defense Council.

[Ramljak] The HDZ is preparing for elections with fresh reinforcements. You were joined by Damir Zoric and Nikola Grabic. Will there be any more party defections to benefit your party?

[Tudjman] I do not know, however, party defections in political life are normal in a democracy. Actually, all this is a sign of people maturing and making decisions after everything that we have gone through.

[Ramljak] Will we only hold parliamentary elections or will local elections be held simultaneously?

[Tudjman] There will only be elections for the Chamber of Representatives.

[Ramljak] Will the provision on proportionate representation of the Serbs in the Chamber of Representatives, in compliance with the electoral law that quoted their number taken from the 1981 census, remain?

[Tudjman] It is clear that by voluntary abandonment of Croatia the Serbs themselves created a situation in which the provisions of the Constitutional law about the rights of minorities and the electoral law connected to it have been rendered invalid. The reality must be acknowledged.

Granic on Karadzic-Milosevic Accord, U.S. Plan

LD3108015395 Zagreb HTV Television in Serbo-Croatian 2110 GMT 30 Aug 95

[Interview with Deputy Prime Minister Mate Granic by correspondent Dubravko Merlic from the "Slikom na Sliku" program on 30 August—live]

[FBIS Translated Text] [Dubravko Merlic] Our guest this evening is Dr. Mate Granic, deputy prime minister of the Croatian Government and minister of foreign affairs. Good evening, Mr. Granic. We have just heard about an agreement that was reached in Belgrade this evening between Karadzic and Milosevic. I wish to point out that this agreement was, in fact, reached yesterday, but its signing was made public only this evening. This means that the agreement was signed, but that despite it, did the international envoys know about the agreement, or is this not clear? [sentence as received]

[Granic] Well, there were some reports yesterday that a meeting had taken place in Belgrade but nothing was announced yesterday. The most significant point is that its existence was publicized after the NATO and the Rapid Reaction Force [RRF] attacks. I think that this is the most important aspect of it all.

[Merlic] Why has the international community, which most likely knew that something like this had been signed and we are talking here about an important step backwards for the advocates of the greater Serbia idea, why has the international community decided, after all, to undertake such a comprehensive air and ground bombing?

[Granic] For several reasons. First, this was the issue of its own credibility. It was also necessary to force Bosnian Serbs into genuine, real negotiations. They have so far accepted a great deal verbally but, in practice, they have never implemented anything. On the other hand, there was also the duty to secure again the Bosniaks' consent for negotiations and the peace process.

[Merlic] What is the significance of the fact that Karadzic, Mladic, Koljevic, and Plavsic have put the fate of the so-called Serb Republic in the hands of Slobodan Milosevic? Can we say that it is the return of the prodigal son?

[Granic] At this moment it means that the Bosnian Serbs have come to their senses. It is an indication of their weakness, but on the other hand, the fact that Milosevic made the agreement public despite the bombing is the first indication that he seriously wants to talk.

[Merlic] On the other hand, I think that it is important that while NATO aircraft were bombing Bosnian Serbs'

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targets, at the same time the U.S. delegation, in other words Holbrooke, was in Belgrade talking to Milosevic about the resolution of the situation in this area. This seems to be an indication that Milosevic has fully accepted to negotiate. What does Milosevic stand to gain? What will he still have to do?

[Granic] Well, Milosevic has to accept the basic U.S. proposal. This proposal consists of a number of important initiatives, seven differing elements including mutual recognition by all the states and assistance to the whole of the region, primarily Bosnia-Herzegovina and Croatia, but if there is peace it will also imply humanitarian help for Serbia. This, in any case, is the biggest reward and for Milosevic. if he signs the agreement, it will also mean suspension of sanctions or rather the lifting of sanctions in the next stage. If he signs this agreement, it will mean the possibility of normalizing relations with the Republic of Croatia which for Milosevic it will mean transport, telecommunications, air space, the movement of goods, services, etc. In other words, Milosevic has a great deal to gain if he signs. Of course, the political component is the most difficult one. It will be most difficult to have to return to within Serbia's borders, to accept the territorial integrity and sovereignty of Croatia and to find a lasting and honorable solution for Bosnia-Herzegovina.

[Merlic] Let us dwell for a bit longer on Bosnia-Herzegovina and we can then later raise the important Croatian issue that still remains unresolved in relations between the so-called Federal Republic of Yugoslavia and Croatia. What can the Bosniaks expect of the current American plan and its implementation?

[Granic] Well, no one has yet seen the maps.

[Merlic] Do they exist?

[Granic] No. In the first round of negotiations they were not shown.

[Merlic] They exist, but were not made public?

[Granic] Well, you see, in all our talks with the Americans and with all players in the negotiations, I refer here to the Contact Group, no one has seen them. On the other hand, there is a fundamental principle that, basically, this will be the same as the contact group's map, 51-49 percent, but that an attempt will be made to come up with a more homogenous territory with a solution that will take into account some issues. When I say some issues, I refer here to the effects of our "Operation Storm," without which there would have been no American initiative and, most likely, no current NATO attacks, for a reverse process would have been set in motion, the process of appeasing the Serbs as the recent Bildt's plan suggested. An attempt was made to buy, and even Frasure, the late Frasure who was an excellent and honorable diplomat, tried to be as flexible as possible to find a solution with Milosevic. The situation is quite the reverse now.

[Merlic] There are two important questions concerning a solution to the Bosnia-Herzegovina crisis, especially in the U.S. plan. The first question, which you touched upon only in euphemisms, so to speak, is the issue of resettlement or the recognition of the results of ethnic cleansing. And the everlasting question of Gorazde. Can the Bosniaks agree to such a thing: to abandon Gorazde in exchange for, as you said, compact territory?

[Granic] You should ask the Bosniaks this.

[Merlic] Yes, but what information do you have about it?

[Granic] Haris Silajdzic, the prime minister of the republic and the Bosnian Federation, is staunchly opposed to this. President Izetbegovic has also spoken against it. These are the official statements we have heard. In any event, the Bosniaks would at the moment find such a proposal very difficult to accept.

[Merlic] Will Croatia, together with the federation of Bosniaks and Croats in Bosnia-Herzegovina, be able to accept a possible American request that the Bosnian Serbs should be allowed to establish confederal links with the so-called Federal Republic of Yugoslavia [FRY]?

[Granic] You see, we have not yet seen a plan on the constitutional setup of Bosnia-Herzegovina. What Croatia will certainly never accept is any kind of association with Serbia.

[Merlic] Well, that's that. OK. Now we are just waiting for these negotiations to begin. How important will the voices of Karadzic, Mladic and Krajisnik be in Bosnia-Herzegovina now? In your understanding of the agreement we looked at at the beginning of the program, will they have any importance at all?

[Granic] After the agreement, after the NATO attack, their importance will gradually decrease.

[Merlic] Let us move onto Croatia now. You said that the American plan envisages the mutual recognition between the so-called FRY and Bosnia-Herzegovina, of course, depending on its internal setup, and between the FRY and Croatia. The unresolved issue between Croatia and the so-called FRY is the former Sector East, the occupied area of eastern Slavonia, Baranja, and western Srijem [Srem], which accounts for around 4.6 percent of Croatia's total territory. Will Milosevic, and under what conditions, be ready to recognize Croatia and renounce eastern Slavonia, Baranja, and western Srijem?

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[Granic] He will have to do that. We would like this to happen by peaceful means. There have been signals that Milosevic would like to hold serious talks about this. Croatia is ready to negotiate; to negotiate with the local Serbs....

[Merlic, interrupting] What would these negotiations be based on? On the Z-4 plan or not?

[Granic] Croatia has a very clear plan as to how we could peacefully reintegrate those area.

[Merlic] How?

[Granic] I will tell you just the most fundamental things, as much as I can. Croatia can accept a certain limited transitional period....

[Merlic, interrupting] Two or five years?

[Granic] Certainly not that long.

[Merlic] Less than two years?

[Granic] Less than two years. Obviously, I cannot tell you all the details, but in any event, we are discussing only the reintegration into Croatia's state and legal system, and there are no compromises there: neither about territory nor about authorities. This is territory where Croats were in majority before the aggression against the Republic of Croatia. The only things that are at issue are the transitional period, which needs to be precisely defined, as well as how to disarm quickly all paramilitary formations, how to withdraw all the forces which came from Serbia into Serbia, how to make possible the return of refugees and peacefully reintegrate the area. There is nothing else. There are no complicated approaches. These are only technical issues of the reintegration into Croatia's state and legal system.

[Merlic] By hook or by crook.

[Granic] Over the past week President Tudjman defined Croatian stances very clearly at least three times. Nothing more needs to be said. What I said about the negotiations, these are only technical solutions for the peaceful reintegration and nothing else.

[Merlic] Are there any difficulties on the other side of Croatia, on Prevlaka, and especially the Dubrovnik hinterland.

[Granic] For us there are no unclear points there either. It is completely clear that Croatia is not ready to exchange anything for anything with anyone. On the other hand, the protection of Dubrovnik can be secured either by a global peace plan, which NATO forces (?could ensure), or Croatia will do it on its own. At the moment, we will try to do everything to achieve it through a global peace plan by peaceful means, just like with eastern Slavonia and Baranja, because that would be very useful for Croatia and the whole region.

[Merlic] Let me ask you one more question at the end, about deadlines. Something important happened today, the agreement between Karadzic and Milosevic, witnessed also by Serbian Orthodox Church representatives. When can we expect any concrete progress in the global settlement in line with the U.S. plan? When could we expect to see the mutual recognition between the so-called FRY and Croatia?

[Granic] America does not have a lot of time. It does not have more than two months for the whole plan.

[Merlic] Is it realistic to expect that it could be done in two months' time?

[Granic] It either will be or it will not be in its current form.

[Merlic] Mr. Granic, thank you.

[Granic] Thank you.

Daily Views Izetbegovic's Peace Program

AU2908230595 Rijeka NOVI LIST in Serbo-Croatian 22 Aug 95 p 2

[Article by Zija Dizdarevic: "The Price of Peace"]

[FBIS Translated Text] The U.S. emissaries' accident on the Mount Igman road has to a certain extent slowed down the White House initiative for peace in Bosnia-Herzegovina. However, in the meantime Alija Izetbegovic made public the 12 items of his peace program. He did so without the other members of the Presidency of the Republic of Bosnia-Herzegovina, the collective chief of state.

Izetbegovic's program meets the U.S. initiative half way. Most of the politicians in Bosnia-Herzegovina support the president's project. Izetbegovic's program, among other things, implies the acceptance of some kind of international protectorate over the integral, though demarcated Bosnia-Herzegovina. At the same time, it agrees to a particular kind of patronage of Serbia and Croatia over the Bosnia-Herzegovina Serbs and Croats, as well as the future union.

Izetbegovic repeated the well-known key demand that any solution must be based on the sovereignty and integrity of Bosnia-Herzegovina. The president of the Presidency of the Republic of Bosnia-Herzegovina still opts for the Federation. However, in his guidelines, he does not elaborate on the intrafederal relations, nor does he mention confederation with Croatia. Indeed, he does back the idea that the international community politically and financially support the consolidation of

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the Federation and the promotion of relations between Croatia and the Federation on the bases of equality.

It is obvious that Izetbegovic does not have a defined strategy toward the Bosnia-Herzegovina Serbs, both those on the free territory and on the occupied one. In his program he does not specify his position on the organization of this autonomous Serb unit or the position of the Serbs in the Federation. Moreover, he does not include his position on the relations between the Federation and that "Serb" land, or on the possible confederal ties between the Serbs in Bosnia-Herzegovina and the so-called Federal Republic of Yugoslavia. Member of the Presidency of the Republic of Bosnia-Herzegovina and president of the Serb Civic Council, Dr. Mirko Pejanovic, has proposed that the signatories of the peace plan on the Serbs' behalf be Milosevic (which Izetbegovic agrees with), a representative of the Serbs on the territory controlled by the Government and the Army of the Republic of Bosnia-Herzegovina, a representative of the Serb refugees, and a representative of the Serbs who live on the territory under the control of the Pale regime and accept the Contact Group plan.

Sarajevo is optimistic about the possibility of peace soon. However, several ambiguities about the future of Bosnia-Herzegovina have been pointed out. Sceptics rightfully point out that the issue is in fact a poorly camouflaged division of Bosnia-Herzegovina. Izetbegovic does indeed insist on some factors of a possible peaceful reintegration of Bosnia-Herzegovina. The issue is a guarantee of human rights and freedoms, including the freedom of movement of people and goods, the right of the refugees to return to their homes, and the right to the return of their seized property. International control is demanded to ensure these rights.

Izetbegovic indirectly expressed readiness to accept changes in the maps in relation to the previous Contact Group plan. It may well be assumed that the issue is the acceptance of the fact that Srebrenica and Zepa are in the hands of Chetniks. He did not comment on the demand for the widening of the Posavina corridor for the Serbs. He also left the issue of Sarajevo open. Local observers have pointed out to him that this is the key issue for the future of Bosnia-Herzegovina. Finally, it is not clear whose military and police forces are to control the borders of the hypothetical union.

Izetbegovic and the Others

Why did Izetbegovic present his program to the public without the other Presidency members being aware of it? Obviously, he primarily wanted to confirm his leading position among the Bosniaks as well as his authority, which is more prominent than that of the other Presidency members. With the recent "amendment coup" the SDA [Party of Democratic Action] made it possible for the president of the Presidency of the Republic of Bosnia-Herzegovina not to be elected by the members of the body from among themselves, but from among the Assembly of the Republic of Bosnia-Herzegovina, in which the SDA has the majority.

An original thing has also been introduced, Edhem Bicakcic, deputy president of the SDA, has been appointed acting member of the Bosnia-Herzegovina Presidency, in the absence of Dr. Ejup Ganic. Izetbegovic's position was thus consolidated. The role of the other members, among which are leaders of three parties and two alternative Serb and Croat national movements, was marginalized.

Izetbegovic, who has the full support of the General Staff and the minister of interior, now particularly flinches from Silajdzic. Izetbegovic's plan makes it clear to the prime minister who the boss is. With this move both the Assembly and the government have been annulled. Silajdzic has recently sent a letter to the Republic of Bosnia-Herzegovina Assembly, explaining the reasons for his resignation, which has in the meantime been withdrawn, and expressing surprise about the public not being aware of it. This letter is still in one of the Assembly drawers.

The reasons behind the resignation are very serious. He demanded that the situation in Sarajevo and Gorazde as well as the military situation at the time Srebrenica and Zepa fell be considered. The prime minister also pointed to the narrowing down and usurpation of authority on the part of the government. Among other things, Izetbegovic has the habit of summoning ministers individually and then issuing orders and instructions. According to the Constitution of the Republic of Bosnia-Herzegovina, the prime minister is a member of the Presidency during the war. However, in his letter Silajdzic claims that he had never been invited to the Presidency sessions when the military situation was considered.

Finally, he demanded civilian authorities' control over the military authorities and demobilization of about 50,000 professionals. These reasons prompted General Rasim Delic to send his subordinates a letter fiercely criticizing Silajdzic.

The struggle for power in the nonexistent peace and an uncertain state is under way.

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U.S. Plan Seen To Offer 'Partial Solutions'

AU3108112595 Zagreb HRVATSKI OBZOR in Serbo-Croatian 28 Aug 95 pp 22-23

[Commentary by Mario Galic: "Sarajevo Stands To Lose the Most"]

[FBIS Translated Text] Can the Bosnian problem be solved through peaceful means, or will things after all be solved on the battlefield? This is the question that has for some time been bothering the superpowers. All efforts hitherto to solve the conflict at the negotiating table have failed.

The newly established balance of power in the region of the former Yugoslavia, in which Croatia has annulled Serbian supremacy, has aroused fresh hopes about the possibility of a peaceful solution in Bosnia-Herzegovina. At the moment, the Croatian Armed Forces have entirely neutralized the onetime Serbian military supremacy, whereas Bosnian forces still do not have supremacy on the ground. This is the card being played in the latest peace initiative from the United States, which has assessed that this is the right time to start fresh negotiations. Once again, Clinton's Administration has decided to demonstrate and prove its decisiveness by supporting negotiations and not by more resolute action on the ground. Instead, the UN Protection Force has demonstrated resolve by resolutely withdrawing from Bosnian crisis points. The Ukrainians are withdrawing from Gorazde, and the withdrawal of the Blue Helmets from Bihac has also been announced. The onetime decisive threat of air strikes if a single protected zone were to be attacked is no longer mentioned.

The Bosnia-Herzegovina Army Will Not Want for Anything

Why would the warring sides in Bosnia-Herzegovina want to negotiate anyway? At this point, the Bosniaks do not have the military supremacy created by the Croatian Army in Croatia, but they are no longer as weak as they used to be. They have become strong enough to keep what they now control, and to take a square kilometer here and there in limited operations. Moreover, the U.S. Republicans are not giving up on their proposal for a unilateral lifting of the arms embargo for the Bosniaks. If Congress and the Senate were to take such a decision in a month or so, the situation on the Bosnian fronts would change dramatically.

Not only would the Bosniaks be able to procure state of the art weaponry for their army in the United States, the superpower's move would probably prompt similar decisions by all Islamic countries. As it happens that these countries are the richest in the world, the Bosnia-Herzegovina Army would certainly not lack money. This, in turn, means that very soon, state-of-the-art planes, helicopters, tanks, and artillery would start pouring into Bosnia-Herzegovina. Even if Russia were to do the same for Serbia, the Serb Army would still be losers. First, because the Bosniak government would have much larger funds than the Serb Government, which is still under sanctions.

Second, because any modern armaments procured in the United States would be at least a cut and more above the ones procured in Russia.

In this way, the imbalance in armaments would very soon be nullified.

Giving Up on Bosnia

In the present circumstances, the administration is trying to persuade the Bosniaks into negotiations on a solution that most certainly does not suit Sarajevo. Even if a political solution based on the still secret peace plan were to be realized, the Bosniaks would once and for all have to give up Bosnia-Herzegovina as an integral state because they would lose 49 percent of territory at the outset. The same territory that they could perhaps control within a year if they were to procure sophisticated armaments. That is why the Bosniaks will certainly not hurry into negotiations as that would make them certain losers. Instead, they will wait a month or so.

On the other side we have the Serbs, who up until now regularly rejected any hint of negotiations. Since until recently they had not suffered any significant defeat in Bosnia-Herzegovina, they had continued to believe that they would be able to keep everything they occupied without too many problems. And then "Operation Flash" proved that such calculations were inaccurate, after which "Operation Storm" liberated the majority of Croatian occupied areas and altered the ratio of power. Now even the Bosnian Serbs are not a priori rejecting the possibility of negotiations. In fact, they claim to be interested in them. This is not surprising if you take into account that the Croatian forces are slowly, but surely, liberating a large part of western Bosnia. The Serbs also fear the U.S. decision on the arms embargo. As they can no longer be sure that there is long-term survival for them in Bosnia, the Serbs are now ready to accept any negotiations that would stop the war. Milosevic himself is increasingly inclined toward peace at any price because Serbia is steadily crumbling. If the sanctions are not lifted soon, the entire economy will collapse. Milosevic has obviously emptied the foreign currency coffers that he stole from former Yugoslavia, so he is having trouble financing the war in Bosnia-Herzegovina. Moreover, the military

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defeat of Serb occupied parts of Bosnia would bring a million Serbs from the other bank of the Drina River into Serbia, where they would certainly cause terrible problems. As this is a long-term possibility, Belgrade will do everything to prevent it now.

The third interested party is Croatia. There is no doubt that the Croatian Army is now powerful; it has, moreover, proved it. However, the maintenance of such an army in wartime costs a lot of money. In the period following "Operation Storm," Croatia would like to spend every kuna and German mark on rebuilding houses, factories, roads, and railroads. As long as the war continues in Bosnia-Herzegovina there will be no real peace in Croatia, so that large sums will continue to go for defense. Peace would also bring foreign capital, which is still dithering. At the same time, the spreading of Serb influence west of the Drina River is certainly not in Croatia's interest. Moreover, some sort of partial solutions are also not in Croatia's interest because they would prompt a new war. And a peace solution that would reward the aggressor would provide the best reason to start a new war that would right the wrong.

Neutralization of Republicans

The latest U.S. peace plan was obviously hastily drafted with the goal of neutralizing the Republican initiative. Is is questionable whether such a plan can really bring peace to Bosnia-Herzegovina? Or does it perhaps want to temporarily suspend fighting while Clinton comes to some sort of deal with the Republicans? That is why U.S. diplomats are trying to pass off their peace plan in Zagreb, Sarajevo, and Belgrade as the best for each interested party. Hence the differences in its interpretation. So far, it has been precisely Sarajevo that has exhibited the greatest skepticism toward the offered plan, which is not surprising as it stands to lose the most.

All things considered, the latest peace plan will also fall through because it does not solve the essence of the war in Bosnia-Herzegovina; it simply tries to suspend fighting with partial solutions. This will be so until decisive measures are taken to punish the Serbs and force them once and for all to give up on Greater Serbia.

'Veritas' Reports Crimes Against Krajina Serbs

LD3008190995 Belgrade TANJUG in English 1633 GMT 30 Aug 95

[FBIS Transcribed Text] Belgrade, Aug 30 (TANJUG)—The Croatian Army and police are still persecuting and killing Serbs in the occupied area of the Republic of Serb Krajina and destroying Serb property, the Serb Krajina information centre "Veritas" said on Wednesday.

According to the latest figures, 71 fresh graves have been discovered in Gracac and only 10 bodies identified, Veritas said.

Old people who stayed in villages around Knin are still harried and villages are torched despite a pledge made by Croatian Gen. Cermak to international officials that all similar actions would cease.

Veritas officials also said that all 300 houses in the village of Raduc, near Gracac, had been burnt down. Out of four old women, who had not fled the village, one has been killed while the fate of the other three is still unknown, Veritas said.

Veritas President Savo Strbac expressed fear for the fate of the civilians remaining in villages around Knin and Benkovac because their relatives living in other European countries had learnt that the civilians had been executed by Croatian soldiers several days after being released from a detention camp.

We hope that some of the international organizations will shortly investigate these reports, Strbac said.

The Croatian Army has torched more than 4,000 Serb houses (between 75 and 80 percent) in Knin and its surrounding area (UNPA Sector South), the Croatian Helsinki Committee said in its report on Monday.

The organization has drawn a list of 243 killed people, out of whom 107 civilians, 156 soldiers, and policemen. [sentence as received] Croatia claims that only 82 persons have been killed in the area.

Army, Authorities Accused of Terror in Gospic

95BA0313A Split FERAL TRIBUNE in Serbo-Croatian 10 Jul 95 pp 16-17

[Article by Alen Anic: "Gospic: Town Under the Boot of the Croatian Terrorist Society Experiences a New Escalation of Violence"]

[FBIS Translated Text] *"Gospic was defended, but it fell," remarks Pajo Simic, representative in the district assembly. He adds to his assessment an extensive description of all the misdeeds in the town: the disappearance of 8,000 rifles which were stolen from military bases and about 150,000 marks which systematically disappeared during a year of war and "renewal"; the Army is terrorizing civilians with the blessing of the district authorities, whom prime minister Valentic himself is protecting; violence, barbarity, trading in drugs and weapons are spreading throughout the town, and people are moving out en masse under pressure of blackmail.*

In order to get the better of fate, the citizens of Gospic are going where life is still impossible. The theme of the

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majority of their stories is inevitably the same. "To leave even if to end up under the ground." That it is easier to end up under the ground in Gospic than anywhere else would be confirmed to us by about forty soldiers of the former Zengi [Croatian National Guard], if they could, who left this world during the past three years under very strange circumstances. The police say, accidents or enemy bullets; the citizens say the opposite, "the bullet or, more often, the plastic explosive came from our side!"

The town, which has shrunk from 18,000 inhabitants to 4,000 over the past three years, looks the same even during war: ruins and disappointed people fill it. The daily strollers disappear from the streets early in the evening. That is the time when the popular HTZ (Croatian Terrorist Society) appears, whose "members," mainly beardless youths of the HV [Croatian Army], blackmail and frighten the citizens (through killing, beating, arson). With acts of violence, the uniformed youths carry out the orders of "high figures" in the civilian and military government.

Difficult Zone

These are, primarily, the district leader Ante Frikovic, Ivica Tomljenovic-Mima, leader of the PU [Economic Association], and Ivo Sasovic, his deputy, behind whom Nikica Valentic and Hrvoje Sarimic stand, says Pajo Simic, representative in the district assembly, who, despite attempts to liquidate him physically, wants what "Suvar should have done at the proper time, to call a spade a spade."

"These men, along with their leaders from Zagreb, killed this town; Gospic was defended, but it fell," added Pajo. "Moreover, in addition to street crime, the citizens of Gospic have long been suffering from misfortune and poverty, both as to work and earning 'bread.' For more than two years they have not been able to build their destroyed town; they don't get construction and other work because that has become the exclusive right of Zagreb enterprises, whose real owners are supposedly unknown. Invalids and veterans of the war cannot get a single job in Gospic. The rule is that the HVIDRA [Croatian Military Invalids of the War of the Homeland] has priority, but it also stays away often because, they say, it doesn't have the resources. No local businessmen or contractors can get work. A local man cannot compete for location, only persons from Zagreb."

Sometimes, back during the war, a local crew would get to carry out projects. Since the war has been over and the shooting has stopped, none of the locals have worked. If some little job is assigned to Gospic contractors, men are mobilized against them the same day so that there is usually nothing left of the job.

But for this reason, work, which the Zagreb enterprise Megrad is carrying out, was begun several days ago on the new "Industrial Zone," for which there are funds all of a sudden. The trucks at the construction site are registered in Zagreb, and a black Mercedes with the same registration is driving around the location where work has begun. While we look around the construction site, the foreman advises us to "watch out what we write, because the government is overseeing this project." We should believe him, because the future Industrial Zone "weighs" about 10 million marks. So far only a MUP [Ministry of Internal Affairs] building is being built.

Town as Military Base

It is interesting that Gospic already has an "industrial zone," built in the 1980's, not far from the renowned Obradovic town, in which bitter battles were fought in 1991, and where the highest house "measures" only two meters today. There are also potato storage facilities there, slightly damaged, but also a modern slaughterhouse, a refrigerated facility, and a warehouse, for the renovation of which much less money was necessary than for the new project with the same uses. However, someone evidently decided that this would never be renovated further.

Not far from the "old walls" cited are the remains of the metal producing enterprise Meting, which close to 1,500 men defended up to 1994. There was no evident reason for the "shutdown." Today its workers are waiting around or at the employment office. The question, of who is responsible for the construction of the new industrial zone, was raised in the district assembly. There was no answer.

"That is because the citizens of Gospic don't decide about the town, the Zagreb citizens of Gospic-criminals do," says Simic, and adds: "My old pal from the streets of Gospic, Nikica Valentic, is making a military base of the town, but a French Legion base. The army is problematic here precisely because they have created a kind of Legion. Only part of the 3,500 legionnaires (Croatian emigrants) located in Croatia are in Gospic. Those are the same legionnaires about whom Tudjman said in my presence: 'To the extent I can, I must accept them.' And unfortunately, he allowed them to enter the country. They're the same ones who wanted to kill him on 17 November 1991 in Gospic. I know men who got a verbal order to shoot at him if some changes took place, if they got some secret messages, which would supposedly come from Zagreb."

Reds From Tresnjevka

"On the 17th I received an order from Josip Perkovic in the operative zone that I must protect the president,"

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continued Simic, and added, "A special unit from Rijeka 'accompanied' Tudjman to Gospic. Snipers were placed around the stage on which he spoke, on rooftops, behind chimneys, everywhere. It was not known who would shoot at him. Why Tudjman would come to Gospic, let him answer that himself. It would have indeed been funny if a team killed him that he had 'obtained' from outside the country: men who had emigrated, under false names, the so-called legionnaires. However, Tudjman does not have the power to have an effect in Gospic. Either the town is completely outside his control or he's joined up with thieves, and they're dividing up the booty together. Because it is incomprehensible that the majority of the 15,000 soldiers in Gospic are not local men and that today's HDZ [Croatian Democratic Community] members in Gospic were already Yugoslavs in 1993, or in the Croatian Nation-Building Movement (HDP), right up to the war colleagues of the Security Service at that time. It is funny that the police chief is a person who stole television sets and washing machines from Serbian houses, and during the war was an ordinary warehouse worker, while Drago Prkovic (supposedly Ante, changed his name in 1993) is the current district leader, a Red from Tresnjevka, a devoted party member, then and now, a man called Postotak, who buys, for a song, like Valentic's gift for obedience, Turist, a hotel enterprise, hotels and beaches, which are worth at least 15 million marks."

The open distrust between the civilian and the military leadership of the state is convincingly illustrated by an incident that recently occurred in Gospic, during Tudjman's nation-building tour in Lika. What happened is that "all the president's men" disarmed the soldiers who were included in the military welcoming train. According to the statements of witnesses, when the bullets were taken out of the clips, the president visibly breathed a sigh of relief, and only then was the atmosphere of the "Gospic festival" enthusiastically let loose.

Mercep's Waiters

In Gospic the circumstances of the disappearance of 8,000 rifles which were taken from military bases and about 150 million marks which systematically disappeared during a year of war and "renewal" have not yet been explained.

"Money is hard to find; however, the rifles were last seen in two of Mercep's trucks," states Simic. "At the beginning of the war Mercep stole as many weapons as necessary for the defense of Gospic, together with his waiters, whom we called that because they took innocent men from bars and wine cellars and then killed them. And at that time Valentic felt something toward his town. Specifically, he sent us 100 rifles, which, however, we never got, said Pajo Simic.

According to the men whom we met in the Marko cafe, located not far from the ruined Lika hotel, no one is doing his job in Gospic, neither the civilian nor the military authorities. The small-timers are being locked up, the big criminals are hiding, violence is spreading, barbarity, trade in drugs and weapons is rife. Recently, in that cafe, the owner of which is Dane Simica, wrestling coach, multiple gold medal winner, and member of the Presidency of the Union of Croatian Sports, more than one hundred young men held, at gunpoint, for longer than an hour, groups of reconnaissance soldiers of the 9th Brigade of the Croatian Army. The military and civilian police were on the other side of the street. These young rowdies have long been known to the citizens of Gospic, and hundreds of criminal charges have been filed against them, which are still pending. No matter how often, when they get drunk, they like to fire off a clip or two at a picture of the president, "no matter where it is."

Not even the civilian police are safe. Last year they first sawed the tires of a police car with a chain saw and, when that wasn't enough for them, they tried to saw a policeman from Zagreb in two, who quite quickly realized that a battle is not won with the heart of a hero, but with speed in the legs.

Death Threats

"These violent young men, Toni Stilinovic, Antonijo Sebalj, and Dane Sop, and the civilian and military authorities are standing behind them, are known for their violence and terrorism in the whole Lika-Senj district. They have shot at my brother and me several times, and they're still free," said Pajo Simic. His brother, Dane, as well as many others, have left Gospic because of this. "The main reason for my departure from the town of my birth is that men from the group described have threatened to kill children, wives, and me personally. I have the right to sacrifice myself, but not my children, too. When I see my Mark with tears in his eyes and my little Ana, who is not even 10, I can't stay any longer. That is the basic impetus, along with all the crimes and immorality that are happening, that is pushing me to leave this town.

"The situation is very simple," explained Pajo Simic. "Mafia affairs are controlled from Zagreb; no one oversees the money that comes into Gospic through deserving intermediaries except Nikica Valentic. The chief of police and Sarinac are one body. For all the dirty go-between actions in Gospic, Mima Tomljenovic

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goes to Sarinic, and the district leader Frkovic to Valentic. For pressure, blackmail, and buying, people take advantage of the wild ones from the Croatian Army, which is a sacred institution. At stake is money, money, and only money. Valentic is primarily a criminal. By virtue of the fact alone that criminals serve him. How is it possible that Mima Tomljenovic, the chief of police, has a fleet of vehicles in front of his house of about ten trucks, cranes, steam shovels, with a value of at least 10 million dollars, and until a year or two ago he was hungry for bread. Newly established Mafiosi, Zagreb people in Lika, who are collecting taxes, are taking advantage, by means of their violent tricks, of this town and its civilian and military authorities. The fate of this town is that the men who are coming are foreign, although they may be descendants of citizens of Gospic, and only want to plunder both the people and the state. Gospic does not interest them."

Pintaric of Lika

"However, the similarities with the previous regime do not stop here. Where there was once Milan Sain, today there is Ante Bezer; where there was once Jakov Biazevic, today there is Nikica Valentic. It is the same system of governing, the same lamb's meat. Compared to these today, members of the SK [League of Communists] Movement for Yugoslavia were saints," adds Pajic.

The mayor of Otocac and the first president of the HDZ Initiative for Lika, Drazen Bobinac, says this about the problems of Gospic and the entire district in a conversation for FERAL. "I am an indisputable fighter against crime and swindling; I think that we will all join together through the HDZ to deal with those who love themselves better than Croatia. I am waiting precisely for those men (Pajo Simic and coeditor's note) to help me to discover all that, to clean up, not the opposition, not the enemies of Croatia, but those who are too close to Croatia, who swear by it; we want to unmask these types. If someone condemns us, then we will go to court with these things (misdeeds, robbery, crime—FERAL TRIBUNE editor's note). However, I wouldn't want to besmirch those people who are close to the top of the government, so that no one challenges me in a day or two for destabilizing the party. In any case, we will proceed with the honest people of Gospic against those who do not wish this district well. I won't name them; I hope that they will recognize themselves."

Pajo Simic, a representative in the district assembly, "a Spegelj soldier," as he likes to say of himself and one of the organizers of the defense of Gospic, is staying in town until everything is resolved. "If I must become the Pintaric of Lika, I will do so; but then everything will be different," warns Simic.

Army Reportedly Violates Cease-Fire Near Osijek

LD3008174095 Belgrade TANJUG Domestic Service in Serbo-Croatian 1701 GMT 30 Aug 95

[FBIS Translated Text] Vukovar, 30 Aug (TANJUG)—At 1545 [1345 GMT] today, the Croatian Army opened small-arms fire on units of the Slavonia-Baranja Corps in the area around Tenja, from the direction of the faculty of agriculture in Osijek, thus violating the cease-fire agreement, the Slavonia-Baranja Corps of the Krajina Serb Army reports.

The corps' command sent a protest note to the commander of Sector East, asking him to warn the Croatian side to adhere to the agreement, and of possible consequences of such conduct.

Slavonia-Baranja Corps units did not respond to these provocations, and there were no consequences resulting from the Croatian attack.

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Albanians Raise Grievances With Ahrens

AU3008142295 Tirana RILINDJA in Albanian 30 Aug 95 p 11

[Unattributed report: "Hot Political Summer"]

[FBIS Translated Text] Skopje, 29 August—Some political initiatives launched in the second half of August by Albanian political forces, which have upset the Macedonian public, indicate that the hot Macedonian political summer will continue during the coming months.

The political summer began with the start of competition for the enrollment of freshmen and second-year students at the University of Tetovo. The attitude of the Macedonian Government to this is well known.

A statement by the Law Faculty of Tetovo University containing comments and suggestions on the local administration bill that has been approved by the government and submitted to the Macedonian Assembly for approval caused a pleasant surprise.

The text was also sent to the political parties to serve as a basis for debate among the Albanian deputies. With this document, the University of Tetovo has in fact made its mark on the Macedonian public and political stage.

As a very new state of strategic importance in the Balkans, Macedonia is often visited by international delegations and foreign diplomats. On these visits, they also make contacts with Albanian political forces, because peace and security in Macedonia and beyond, as is known, depend also to a large extent on the Albanians.

At recent meetings, there has been increasingly loud criticism against the Macedonian regime over its failure to keep its promises to advance the position of the Albanians. It seems that the empty promises of senior Macedonian officials have come to an end. The political forces that speak for the Albanians' legitimate interests have openly expressed their dissatisfaction at the level of the Albanians' representation in the administration, the police, the Army, education, culture, etc.

In connection with this situation, the leaders of the three Albanian political parties in the parliament, one of them in the governing coalition, wrote to U.S. President Bill Clinton last week. The letter was signed by Abdurahman Aliti (PDP) [Party of Democratic Prosperity], Iljaz Halili (NDP) [People's Democratic Party], and Arben Xhaferi (PDPSh) [Party of Democratic Prosperity of Albanians].

In the letter, they inform the U.S. President that the Macedonian Government is violating the rights of the Albanians and does not wish to meet their legitimate and inalienable demands.

The letter presents facts and figures that will indubitably influence President Clinton and the United States in their attitude toward Macedonia.

The letter will have further effects. Following some quarrels and misunderstandings among the Albanian political parties that harmed the general interest, the Albanian leaders have for the first time sat down and put their heads together to tackle more seriously the problems of the Albanians in this republic.

The letter has upset the Macedonian public and has provoked the international community to commit itself to settling the question of the Albanians in Macedonia.

Gert Ahrens, mediator in the trilateral talks with the Macedonian Government and the Albanian political forces in this republic, came to Skopje toward the end of last week to acquaint himself with current circumstances in Macedonia.

No information was given to the media in Macedonia following his meetings with Macedonian officials and the Albanian political parties. Nevertheless, official sources report that these talks touched many burning issues, such as the local administration bill, which, it is said, was sent back for revision at the Albanians' demand. The bill will not be debated in parliament until it is revised at the trilateral talks to take place in Geneva in early September.

Gert Ahrens has been asked to ensure that the higher education bill, too, should be submitted for international consideration before it goes to parliament for discussion.

The Albanian side also drew the attention of the intermediaries in the trilateral talks to the position of the Albanian-language media, especially the Editorial Board of Macedonian Television's Albanian-language service. Macedonian Television's directors have caused problems for the members of this editorial board.

These and other movements of the Albanians in Macedonia show that the Albanian political forces in Macedonia are becoming increasingly aware of their position, their historic role, and the responsibility they carry for their own people.

In all probability, the hot Macedonian political summer will continue in the coming months.

Spokesman on Law on Local Self-Management

AU3008181595 Skopje MIC in English 30 Aug 95

[FBIS Transcribed Text] "The law on local self-management and the draft-text sent to the Macedonian [The Former Yugoslav Republic of Macedonia—FYROM] parliament will reach the daily agenda on

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September 12 and we are not expecting any changes of the date. In the meantime, a public discussion is taking place, which might bring some valuable suggestions. Of course, if Mr. Ahrens expresses the desire to start a discussion as part of the talks on former Yugoslavia (as part of the Geneva Conference), we will call him here to start a discussion on the law on local self-management, and certainly, if some opinions are presented which could be useful and serve to improve the text, we will act in the same way as with the suggestions in the Macedonian public. So, these talks are possible, they are lasting, and in relation to the law on local self-management, those talks could be held here in Skopje," minister-spokesman Ismail said in regard to the talks with Gert Ahrens and the possibility of discussing the local-self management in Geneva again.

Role of Islam Among Tetovo Albanians

95P21005A Tirana SINDIKALISTI in Albanian
5 Aug 95 p 3

[Article by Andi Bejtja: "Nationalism With Veils"]

[FBIS Translated Text] It was morning in a village on the outskirts of Tetovo. It was raining and people with umbrellas in hand were leaving their houses to work in the fields. A man who just left his house put up his umbrella; a woman who was going out the same door waited for the man to take a few steps forward and then got ready to leave. She was trying to put up her umbrella but the umbrella did not work. The woman went back into the house to get another umbrella. They were husband and wife but they could not walk under the same umbrella...

It is the custom in this small village populated mainly by ethnic Albanian Muslims for women to walk behind men in accordance with an unwritten principle of their faith. Albanians make up about 20-30 percent of the population in Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] and are concentrated in Tetovo and in Western Macedonia, in particular.

In this village, all the women wear "ferexhe" [long black veils or cloaks covering the body and the face] and most of the men, who are bent over with age, do not remove their fezzes from their heads. No alcohol is sold in the village's clubs. Many Albanian young people have to go to the Macedonians' clubs to drink a bottle of beer.

When you go into a house, you will find only men. The women are hidden away preparing the food for the guests. One platter for all is put on the table. In addition to Albanian-language private television and TVSh [Albanian Television], Turkish television, which often preaches the Islamic faith, is a favorite.

"These dramatic religious customs, inherited from the time of the Turkish occupation, have left us very backward," says one of the agronomists of the village, Shaban Mehmeti. "In most cases, the hodjas [Muslim religious teachers] preach meaningless and antiscientific things. My mother always taught me: 'Don't put on a necktie because you will look like an Orthodox Slav. Don't drink because only the Serbs and Macedonians drink.'" "Indeed, these things have left us behind the rest of the world," Mehmeti adds.

A young Albanian businessman involved in trading gold in Turkey says that, when a mosque is built in Albanian areas, not only old Albanians are happy. The businessman says: "Macedonians are also happy, along with our parents, because they can hardly wait to point out the mosque to any foreign journalists or tourist, stressing the Muslim fundamentalist danger, which infects the Albanian population."

About two years ago, when the "Miss Dardania" competition was held in Tetovo for the first time, the posters of the young women who were participating in the event were torn up and the words "Don't go to see prostitutes" were written on the walls. Although the Islamic activists tried to sabotage the event, it was attended by an unexpectedly large number of people.

"Despite this occurrence, there is no danger that Islamic fundamentalism will be installed in the ranks of the Albanians," says the journalist of the Albanian-language daily FLAKA E VELLAZERIMIT, Mahim Nesimi. "Because of the low-level preaching of the hodjas, the progress of the Albanian population is slow," Nesimi says.

Some political leaders in Tetovo report that some Islamic countries have tried to enter into the political and social life of Macedonia by taking advantage of the reputation of the hodjas. In October 1994, a short time after the latest elections in Macedonia, a group of hodjas formed the Islamic People's Party, also called "Islamic Path." However, this party which had close relations with Iran, did not get any seats in Parliament.

Some time earlier, several strong Islamic organizations with great influence in the Islamic world attempted to turn Skopje into a center of Islam in the Balkans (the Riaset Center), according to an official source which asks not to be identified. According to this source, this idea was strongly opposed by the Albanian political parties and also by the leader of the Albanians in Kosova, Ibrahim Rugova. In the meantime, about this time, in December 1993, Albania became a member of the Islamic Conference, with full rights. In an attempt to justify this participation, which seems to have been for economic reasons, the Albanian foreign minister said:

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"Historically, Albanians have not been fanatic believers. Fundamentalism has no place in Albania, since the religion of the Albanian is Albanianism."

"Above all, Islam here [in FYROM] has served to protect the national identity. History has shown that some Orthodox Albanians in eastern Macedonia have assimilated very quickly, by changing their Albanian names and customs," says the FLAKA journalist, Nesimi.

Many other ethnic Albanian intellectuals in Macedonia think that Islam among the Albanians is a nationalism in "ferexhe", which has been elevated to an institution, as a result of the absence of an Albanian state, in order to counter Slavic assimilation.

However, this type of nationalism, with religious "ferexhe," is claiming victims each day in Bosnia. The Albanians are trying very hard to remove this type of label, at least in the eyes of the West. A young Albanian man says that, in the event of an interethnic conflict in Macedonia, he would never want the foreign news agencies to say that the Macedonians are fighting against the Muslims. Despite the fact that Islam appears to be superficial for a large part of the Albanian population in Macedonia, the fear is evident.

The only people who give you any hope are the young women who walk around in dark veils while, at the same time, they are dressed in the latest style. One of these girls went to a fashion shop in the center of Tetovo and bought a pair of very sexy and very expensive shoes.

After she left the shop, the salesman said: "If you removed her 'ferexhe' you would see that she had eye makeup around her eyes and that her lips were bright red."

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Dailies Comment on NATO Air Strikes in Bosnia

WS3108112395

[FBIS Editorial Report] On 31 August, three nationwide dailies comment on the NATO air raids on Serb positions in Bosnia.

RZECZPOSPOLITA publishes a 400-word commentary by Stanislaw Grzymski from Zagreb entitled "Why So Late." Grzymski notes that "after months of inertia, of waiting for the results of diplomatic missions, and of frequent acts of humiliation on the part of the Bosnian Serbs, this time the UN and NATO reacted unanimously and, hopefully, also effectively, to defend the civilian citizens of Bosnia." He points out that "the intervention of NATO air forces, in retaliation for the massacre of the civilians, can be looked upon as a warning to those who with impunity want to violate the international order." According to the writer, the action, which "was this time taken jointly by the UN and NATO, seems to be a breakthrough moment in the Bosnian war. It is a reminder that reaction to violence is violence, and that the only method of settling disputes are talks at a negotiating table." Concluding, the journalist writes that "there remains only the question why the UN and NATO did not respond in such a manner four years ago."

In an untitled 150-word commentary carried by GAZETA WYBORCZA, Dawid Warszawski also argues that "three years ago action taken by NATO might have averted the war." According to him, today such an action can at best only "force a defective peace. Defective, because Bosnia can no longer be rescued. Bombs dropped by NATO definitely confirmed its division. However, perhaps they will force Serbs to accept the U.S. peace plan." Warszawski adds that "without a Serb defeat, there will certainly be no peace."

NOWA EUROPA carries a 50-word untitled commentary by Stanislaw Tekieli. According to the commentator, the air raids in Bosnia "are not likely to force the Serbs to accept the peace plan and to give more or less one-third of the territories which they control to the Muslims or Croats." Nonetheless, the journalist predicts that "now no one will with impunity fire mortars at people lined up to get water or bread, and that is something."

Sejm Views Reports on Walesa Signature Campaign

WS3108114895 Warsaw GAZETA WYBORCZA in Polish 31 Aug 95 p 3

[Article by Jerzy Jachowicz: "Interior and Defense Ministries Report on Collecting Signatures: Campaign on Command"]

[FBIS Translated Excerpt] *Vice Admiral Marek Toczek, chief commander of the Vistula Military Units [NJW] who was dismissed a week ago, was the initiator of "collecting signatures on orders," informed Deputy Interior Minister Jerzy Zimowski at the Sejm yesterday.*

He revealed that on 18 July, Toczek held a special briefing. Investigations showed that during the meeting, he "voiced his suggestions to vote for Lech Walesa." Six NJW units diligently followed the "suggestion," but without resorting to any harsh pressure. Only in Warsaw were signatures a precondition for receiving salaries.

Zimowski explained, moreover, that during the proceedings, Toczek confessed having destroyed all the lists immediately after GAZETA WYBORCZA carried a report on the operation that was intended to be classified.

The deputies were unanimous in stressing the important role played by the free press in disclosing the truth.

All clubs except for the Confederation for an Independent Poland were for the approval of the Ministry of Internal Affair's report by the Sejm.

The report presented by Deputy Defense Minister General Jan Kuriata, however, was met with sharp criticism from the deputies and the government.

"There will be no politics in the Armed Forces because all attempts at violating the principle of neutrality are prosecuted," he assured the deputies.

"The only exception," he said, "was when the Armed Forces themselves revealed that one of the officer cadets collected signatures in support of Aleksander Kwasniewski." Asked about the meeting of [Deputy Chief of the General Staff] General Leon Komornicki with officer cadres in Szczecin (GAZETA WYBORCZA carried an exhaustive report on that meeting) at which he promoted Walesa's candidacy, he said these were "unsubstantiated allegations."

Pressed by the inquiring deputies, he did reveal that the military counterintelligence services were interested in this meeting, but did not find any political accents in Komornicki's presentation.

"What we have heard is not enough," said Deputy Prime Minister Aleksander Luczak commenting on Kuriata's speech. "I am very dismayed, especially since at the

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last session of the National Defense Committee we obliged Defense Minister Zbigniew Okonski to carry out a thorough investigation," he added.

A vote on the reports is to be held today. [passage omitted]

Former Aides Discuss Walesa's Virtues, Vices

WS3108103995 Warsaw RZECZPOSPOLITA in Polish 23 Aug 95 p 5

[Article by Kazimierz Groblewski: "Lech Walesa, Flesh and Blood"]

[FBIS Translated Text] *He is undoubtedly one of the greatest symbols of the Polish nation in the second half of the 20th century. He is standing at the fork of a road today, facing a decision that will determine his future career. Is his political career over, or does everything still lay in store for him? Although he seems to be a political dinosaur, he is only 52.*

The Diverse Lives of Symbols

It is very typical for symbols to start living dual lives. The man ceases to be important; he is required to live up to his symbol with dignity. He is forgiven a lot; he can afford a lot. But if he tarnishes the symbol, if he turns out to be different than people think he is, he will be severely punished: nearly everyone will abandon him.

In 1989 Lech Walesa was a very important public figure. He could have stayed where he was. But he butted in. He began treading in deep water—he ran in the presidential elections and won without any major effort. He did not promise peace, he promised a battle, a revolution almost. His campaign slogans foretold unrest: acceleration, airing the Warsaw parlors.

Currently, in the fifth year of his term, he is being charged with an inability to represent his symbol, of not living up to it, of squandering it. Some add: What a pity the myth has died.

Unpredictable

"Unpredictable, impulsive, a hurricane, a tempest. His thoughts are disorderly. The fact that he wears a Holy Mother button in his lapel does not mean anything. One has to have her in his heart. Wearing her on the lapel is political propaganda! His politics are not based on any system of values, they are focused entirely on his own self, egocentric, biased. He is thus totally unpredictable because only the behavior of those who follow a set of values can be predicted. Walesa is guided by his lust for power."

Such is the opinion currently held by Andrzej Micewski, head of Lech Walesa's team of experts for the four months preceding the 1990 elections (in reality it was only two months). "After two months, I asked Walesa whether the several hundred pages of analyses compiled by our team would be used in the election campaign. He said he had not read them. So, I concluded I was no longer needed," Micewski reminisces.

Today, he is a nonaligned deputy. He entered the Sejm on the Polish Peasant Party ticket, but he gave up his membership in that club. Most recently, he came to head Tadeusz Zielinski's election campaign.

Micewski does admit, however, that Poland has two things to thank Walesa for: He contributed to regaining our freedom by sticking with Solidarity, despite the fact that the 1980's did not seem to indicate a swift victory; and he protected us against an ominous and unpredictable unknown—Mr. Tyminski.

"Lech Walesa had fulfilled his positive political role before he became president. From then on his influence was solely negative," claims Micewski.

Not Wasted

The majority of the representatives of the opposition were unprepared for the functions they came to perform after the roundtable. They all had to learn a lot. Lech Walesa had to learn the most because he was contending for the highest office—the presidency. "Much more than what he was cut out for," comments Piotr Nowina-Konopka who was the Solidarity chairman's spokesman between the May strikes in 1988 until the end of October 1989.

"I am grateful to him, however, that all those years were not been wasted. Naturally, Lech now understands power and the state mechanisms far better than he did back then," he goes on to add.

Lech Walesa is not considered to be vengeful. He does not have any difficulties with restoring friendly relations with people whose hide he was after until recently. Backstage it is whispered, however, that Walesa holds a grudge against two men. One of them is Piotr Nowina-Konopka, currently a Freedom Union [UW] deputy.

There were two secretaries of state at the Presidential Chancellery in Wojciech Jaruzelski's term—Jozef Czyrek representing the Polish United Workers Party, and Jozef Koziol from the United Peasant Party. Jaruzelski asked Walesa and Mazowiecki to find him someone who would represent Solidarity in the Chancellery. Walesa recommended a man he trusted—Piotr Nowina-Konopka. Each week Konopka boarded a plane and flew to Gdansk to report to the Solidarity chairman on what went on at the Chancellery. This continued up to

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21 November 1990. A few days before the presidential elections, Piotr Nowina-Konopka opted for Tadeusz Mazowiecki and walked out of the Chancellery. Walesa called him a louse. Nowina-Konopka currently claims he had warned Walesa much earlier that he would not support him in the elections.

An Excellent Destroyer

"Walesa continues to have one forte, which he is unfortunately wasting: His name continues to hit the world media, his words are heard by political groups and whole societies. But Lech is weakening his own position," says Nowina-Konopka.

"He has secured himself a place in Polish history. Nothing can change that. In the 1980s, when as Solidarity chairman he was surrounded by just a few intellectuals, I thought my place was at his side. I felt he had a great task to perform. And I think he did very well. I greatly admire his accomplishments, including the Round Table and the Mazowiecki government. It was already visible at the time that he was unable to adapt to the new reality. The war at the top and the clanging of the sword he waved from Gdansk were harmful. I pleaded with him not to stick out his neck and refrain from running in the elections, to wait a bit longer. I told him the time might even come when they would beg him to be president. But Lech was driven by his huge ambition.

"He is deeply convinced he offers the best solution to the problems of the Polish state. An excellent destroyer. He got rid of everyone who had anything important to say and surrounded himself with mediocre people. He ceased being self-critical and began taking shortcuts just to make people say he is the best.

"He also has virtues: He knows very well where Poland should be going; he is bold—sometimes even to the point of feeling unrestrained by the law—and inventive. When we run out of ideas, he keeps on pulling various concepts out of his sleeve."

Tough, Conceited

In December 1987, Krzysztof Pusz became Walesa's personal secretary. Very influential. A friend of the Walesa family. After the success of the elections, he became head of the Office of Presidential Organizational Services. The more powerful the head of the Presidential Cabinet Mieczyslaw Wachowski became, the less influential Pusz was. He left in 1991 in "a depoliticizing of the Chancellery." He was faced with the charge ("absurd," says Pusz) that he made the head of the Radio and Television Committee at the time Marian Terlecki drink and that Terlecki had a car accident as a result.

"Walesa has not learned anything throughout his term," claims Pusz. He recently joined the UW and is currently in Jacek Kuron's campaign committee in Gdansk.

Asked about Walesa's virtues, he says: "You have to be tough in politics, and he is. He is definitely a seasoned player. I think that is about it."

The fact that he is "a restless spirit and always has to be at war" is Walesa's major vice. "Conceited, sure of himself, he does not take other people's views into account."

"Walesa should not run," says Pusz. "He will lose and that will be the end of Walesa."

Forever Fighting for Power

Jacek Merkel has not spoken with Lech Walesa for four years now. They have known each other from the second day of the strike in August 1980. He headed his presidential campaign in 1990. After the victory, he became head of the National Security Office for a short time. No reasons were given for his dismissal, and Jacek Merkel refused to say why for a long time.

"I tried to implement several projects. Walesa stated that they were constraining him." There was also something else. Rumor circulated in Warsaw at the time alleging Merkel was a foreign intelligence agent. The charges were never officially filed or proven.

"Please note that my case is not the only one. There is something in the fact that after five years of the presidential term only Mietek (Mieczyslaw Wachowski) and Tomek (Tomasz Kwiatkowski) remain at Walesa's side," says Jacek Merkel, currently of UW.

"He is undoubtedly a historic figure. In the year 2200, his name will be in Polish and European history books for August 1980 and Solidarity."

"Lech Walesa is a special phenomenon. Those close to Walesa claim he has learned a lot. I hold a negative opinion of his presidency. I expected much more—that he would be a creator, a leader of the camp of reformers, and not someone who would upset the strongest groups of the moment only to keep them at bay. He continues to behave as if he were fighting for power. That is appalling."

Political Animal

He is intelligent, but in a specific, unaccountable way. If he were erudite and well educated, he could put that intelligence to better use. He is a political animal with huge intuition, but has no historical knowledge. Yet he manages without it.

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He is a true leader and does not heed advice. It is not true that the fact he no longer has a big team of advisers has a negative effect on the decisions he makes. He always relied on several teams of experts, conflicting them, but he always made the final decisions himself.

In March 1981, during the Bydgoszcz crisis, Walesa used Andrzej Gwiazda to cancel the strike despite strong opposition from the National Commission and strong pressure from within the trade union. He continues to make decisions alone today.

It is not true Mieczyslaw Wachowski has power over him. Walesa finds it convenient to have him at his side. They are very alike and enjoy each other's company.

Plebeian Realism

In recent years, no one has said so many critical words about Lech Walesa as Jaroslaw Kaczyski.

Kaczynski admits that he has got to hand it to Walesa in that now he speaks much better Polish than he used to, and that he is now generally more polished.

He remembers that when he was the head of the Chancellory, Prime Minister Jan Krzysztof Bielecki sent draft laws to Walesa for his approval. Walesa took just one look and immediately made comments "with which, I must admit, I mostly agreed." "He has a knack of reading letters and official texts," Kaczynski concedes.

Kaczynski got to know Walesa better during the strike at the shipyard in May 1988. At that time, he ceased to be merely "Leszek's brother"; people began to recognize him as Jaroslaw. After the election victory, he was appointed to the head of the Chancellory. After less than a year, he no longer held that office. He says that he could have stayed then, but he would have had to agree to a situation in which Jan Krzysztof Bielecki continued to be prime minister. He would also have had to agree to being separated from his party, the Center Accord.

"He played a great, historic role in the 1980's. At that time, his new way of looking at politics, his plebeian realism, which had nothing in common with the Polish tradition but at the same time was deeply rooted in values, proved to be necessary. Unlike intellectuals, he was not confined by the awareness of the socialist reality; hence, for example, the desire to set up free trade unions in August, which seemed just a dream to most intellectuals. He showed a radical attitude which went beyond the limits of political thinking among advisers, among people from a different social strata.

The thing is that later on this type of realism told him to yield to the remnants of the Polish People's Republic. Aside from that, his intellect did not predispose him to be president, unless he had been able to take on the role of a patron, to which he did not agree.

Walesa's talent is his ability to play. He has a feeling for politics. His advantage is the ability to think in terms of politics. He certainly bears grudges, gets riled, and has complexes; however, he does not let them guide his actions. He is able to forget a lot of unpleasant things," says Jaroslaw Kaczynski, and adds that as he has not spoken to Walesa since November 1991, it means that the period during which he has not spoken to him now is already longer than the period in which he spoke to him.

Efficient in Negating

"He is very efficient in politics. However, this is confined to negating. Not even one green tree of hope has grown around him," Andrzej Drzycimski says about his former boss; Drzycimski was Walesa's spokesman from August 1990 to 1994.

Drzycimski does not want to say anything about Lech Walesa. All he says is the following: "When the hierarchical model of the presidency began to dominate—a model based on the military, police, the Office of State Protection, that is, on structures where effects can be achieved after issuing an order, and when everything was funneled to one person, I realized that the conception of an open presidency, which I support, was evidently losing. It was only a matter of time before they would fire me."

Subtler Than He Seems

Zdzislaw Najder still has 15 unused carte blanche forms signed by Lech Walesa which Walesa gave to him when he appointed him chairman of the Citizens Committee. He gave it to him just in case, if there arose a need to receive someone or to support something. "He really could show great trust toward people at some stage of his relationship. He knew how to win the sympathy and support of people for a short time," Zdzislaw Najder says.

"He is much subtler than he seems to be," he assesses Walesa. He recalls a session of the Advisers Committee, when a new member—Bogdan Cywinski—was admitted to the committee. "Now our committee will be better," said Secretary Wojciech Wlodarczyk. "Nobler," Walesa corrected him.

"He never said indecent words in front of Jan Olszewski or myself, because he was well aware that it would offend us. We knew that once the door was closed, various four-letter words were used," Najder says.

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Stormy Acquaintance

They met in Brussels, where Najder was an adviser of the "S" Foreign Bureau. "First he pretended that he was afraid of me; 'Oh, that monster,' he would say, and then embrace me and assure me that he would bring me back to Poland as soon as possible."

Soon after that, in the Sobanskis Palace in Warsaw, Walesa told Najder: "Let Geremek pluralize the Citizens Parliamentary Club, and I will pluralize the committee." This is how it started. Najder became the chairman of the committee.

The year 1992 was a difficult period for Walesa because he had to ward off the accusation that he was an agent of the communists. In that year, Walesa decided to repay in kind to the political circles of Antoni Macierewicz and Jan Olszewski. He announced triumphantly that he had found a serious agent and that he would send his files to the Internal Affairs Ministry. The pseudonym of the agent was "Zapalniczka" [Fire lighter], and he meant Zdzislaw Najder.

"Our relations got worse and worse practically until the presidential elections. We believed that Walesa ought to put into effect his electoral slogans, especially the slogan concerning speeding up. Meantime, he faxed us the names of people who were to be included in the Olszewski cabinet (December 1990, when Olszewski, right after the presidential elections, undertook his first mission of forming a government; this did not happen, and soon after that Jan Krzysztof Bielecki formed his cabinet—K.GR.). Now, when Jan Olszewski protested, Walesa was surprised, and probably thought that it was I who had put him up to that."

Despite that, the entire political circle—Najder, Olszewski, Macierewicz, Wlodarzyk—soon found themselves in the president's Advisory Committee. Walesa ignored the committee's advice (at that time he was all in favor of Balcerowicz's reforms, whereas the committee was against). The committee dissolved itself. The same people made up the basis of the Olszewski government later on.

He Treats People as Instruments

"What sets him apart from other politicians is the fact that his entire activity was not devoted to the implementation of a program or of an idea, which is characteristic of great leaders; unfortunately, his activity was devoted to short-term tactics. Thus, for example, it cannot be verified whether he is loyal to a cause, because no one knows what this cause is," says Najder. "We do not know, we cannot say what sort of Poland he wants. Naturally, he wants a Poland in which he would have a lot of power. However, Walesa never said what it is to be like.

"He is a man of a great talent and abilities. The greatness that he achieved in the world is truly legendary. Clever tactics as well as history elevated him to monuments. Instead of looking upon this elevation as a commitment, he treats it like coin with which to play in a game. This is why he is the biggest destroyer of himself. This is why he is a tragic character.

"He is not loyal, he treats people as instruments. The only person that he does not treat that way is the Pope.

"He looks upon politics as a game; he is constantly fighting to see to it that he has always the last word.

"He should not run in the elections. I believe that his chances of success are very small. It would really be too bad if he destroyed himself completely. He cannot be a big-style winner; however, he certainly may leave the scene in quite good style. Then part of the monument would be saved," says Zdzislaw Najder, who remains out of the spotlight of big politics today.

He Is Good

"He is good," says Jerzy Gwizdz, chairman of the Non-Party Bloc in Support of Reforms, about Lech Walesa. "He has this warmth which many politicians lack. The more meetings I hold with him, the more convinced I become. He has what I value the most: frankness which he has not lost. He can hold a direct talk, he can laugh, and he can escape from his bodyguards. He may sometimes act hotheadedly. If he thought a second longer about what he was going to do, it might be better for him."

He Is Easily Moved

"I read once that he has a political intuition; now I can see for myself how it works. He makes a decision when he is influenced by an emotion. His interlocutors are taken aback. After some time, it turns out that the decision was correct," Leszek Spalinski, who replaced Drzycimski as Walesa's press spokesman, says about his superior.

"He is very straightforward. He does not act haughtily in front of his secretary or functionaries of the Personal Security Unit. It seems to me that he is a sentimental man; people's problems do exert an influence on him. It is enough to bring something up and he responds. He is emotional. The mood of a given moment has a great influence on him. He is very moved on special occasions, such as when the national anthem is being played. He is sometimes surprised by that himself. After the celebration of officially appointing Oleksy's

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ministers to their offices, the president said: 'Well, I did not think this would have such an effect on me.'"

"He does not like anyone praising him when he is there. He detests formal duties. He sometimes does not deliver speeches which he ought to deliver. Recently he has been considerably shortening his obligatory speeches.

"When he is visiting abroad, everyone is exhausted, but he is still in a good form. He knows how to live at a quicker pace for a period of time."

Desire To Get More

Lech Walesa has turned out to be a working president, not a president for "cutting ribbons." He feels best when he is fighting. This is when his positive characteristics show: fast action, risky decisions, efficiency.

This does not mean that he has not done anything positive. He has, but he did it "in fits and starts," without a "main plan," about which he only talks a lot.

One can say that Walesa did not live up to his symbol. However, one can also say another thing: In 1990, when he made up his mind to run in the presidential elections, he decided that he would not pay much heed to his symbol, that he would live either with it or without it. And he did. For four and a half years, he fought, struggled, quarreled, reconciled people, resolved problems, dissolved sejms, and approved governments. He had what he wanted.

If he decides to run again, and most probably he will, it will mean that he still wants to get more.

Center Accord Chairman on Rightist Parties

WS3108092395 Warsaw GAZETA WYBORCZA in Polish 30 Aug 95 p 5

[Interview with Chairman of the Center Accord Jaroslaw Kaczynski by Wojciech Zaluska; place and date not given: "I Want To Escape This Zone of Endless Shame"]

[FBIS Translated Text] [Zaluska] Being the "political animal" that you are, you want to back out of politics?

[Kaczynski] I am considering giving up politics. I have not made a final decision yet.

[Zaluska] Immediately following the failure in the 1993 elections, you said: "I would like to do something serious in politics once again, to have a real chance of doing something for this country." Have you lost hope?

[Kaczynski] I am losing it. The plan of turning the Polish card is not working.

[Zaluska] What card? What plan?

[Kaczynski] The plan of removing postcommunists and Lech Walesa from power. I had the scenario ready in the end of 1993. It provided for striking an agreement with the Freedom Union [UW] and fielding a presidential candidate by the post-Solidarity camp. Second, to orchestrate an agreement between the major rightist parties that truly exist: PC, the Christian-National Union [ZChN] and possibly the Union for Real Politics [UPR]. Had the plan succeeded, the post-Solidarity camp would be sure to win the presidential elections. It could then hold two party tickets (UW's and the right's) in the parliamentary elections and win those as well.

[Zaluska] None of these ideas has been realized.

[Kaczynski] Exactly. We gave UW only one condition—the joint candidate could not be anyone from the UW or related to it in any way.

[Zaluska] Why? If there was a good candidate...

[Kaczynski] The majority of the rightists would boycott a UW candidate. The UW refused to acknowledge that argument. They suggested Hanna Suchocka or Andrzej Zoll. The talks failed.

[Zaluska] Why was it not possible to unite the rightist parties?

[Kaczynski] The differences between them are too huge. We have nothing to talk about with the UPR; it keeps attacking us, its economic concepts are very radical, it is pro-Russian, hostile toward the West, basically anti-Christian and oddball—it is not worth talking about it. We have different opinions with the ZChN on major issues: the EU, NATO. Most of all, however, we differ in our understanding of politics. What is most important for us is the basic target (as outlined above), guarding democracy (the problem of Walesa) and pragmatic anticommmunism. ZChN focuses on immediate benefits.

[Zaluska] You have to prove that.

[Kaczynski] In the course of talks with UPR, ZChN agreed to remove the issues of abortion and the Concordat from the center-right's platform. Why? Because they wanted to reach an alliance that would weaken the PC at all cost.

[Zaluska] On 14 June 1995, however, you signed a cooperation agreement with ZChN and UPR.

[Kaczynski] For a while it seemed they changed. UPR came forth with the initiative on its own. Ten parties agreed to the candidacy of Adam Strzembosz. We faced the alternative of either isolating ourselves (which did not make sense under the circumstances) or try to unite.

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After a few days, it turned out that the signatures and declarations of several of our partners were worthless. ZChN fled to St. Catherine's Covenant.

[Zaluska] Why?

[Kaczynski] How am I supposed to know? I always have to explain myself for the stupidity of others. The press writes of the right: "The fools who do not know how to reach agreement." I have kept all my promises. I do not want to be thrown into the same bag. But I am. That is one more reason why I am considering backing out. I want to escape this zone of endless shame.

[Zaluska] Do you not feel partly responsible for the disintegration of the right? You led to a split of the PC, which was a huge party.

[Kaczynski] The PC was weakened by two secessions: Olszewski's, who claimed he would create a huge, victorious party; and the "Wola" Group's (Zalewski, Urbanski, Eysymontt, Orzel), which sought its chance in cooperating with the liberals. I do not have to say where that led to. Please ask the gentlemen you mentioned. I would also like to ask them why they allowed a huge part of PC to disperse. On the other hand, parliamentary and self-government elections have shown that we continue to be the largest center-right party.

[Zaluska] Does this mean that others are always to blame?

[Kaczynski] Not always, but the role I play is often demonized.

[Zaluska] You recently fought for the candidacy of Strzembosz, then you turned your back on him.

[Kaczynski] I admit Strzembosz was my huge mistake. I came up with that candidacy because I thought part of the UW would find it acceptable. Yet I erred in my evaluation of the man—the PC created him, and he decided to get rid of us. He believed Olechowski would support him.

[Zaluska] Why did you not get involved in St. Catherine's Covenant?

[Kaczynski] Father Maj grouped a lot of small, meaningless parties. He imposed the principle of "one vote per party" because he is a supporter of the minuscule Christian Democracy-Labor Party. It was easy to predict it would end in tomfoolery.

[Zaluska] What do you think of the Patriotic Camp?

[Kaczynski] I am not interested in a right dominated by Misters Szeremietiew, Gwizdz, Moczulski...

[Zaluska] Does that mean that PC does not see a niche for itself in any of the rightist camps?

[Kaczynski] It does not. A staggering majority of the rightists are either for Walesa or Gronkiewicz-Waltz. I do not think I need to repeat why we do not want to be a part of the camp of Walesa supporters.

[Zaluska] What about Gronkiewicz?

[Kaczynski] One of the reasons I got involved in politics is a will to abolish the domination of the old nomenklatura. It is dangerous to the state because it creates an oligarchic social structure. It is also unjust.

[Zaluska] What does the president of the National Bank of Poland [NBP] have to do with this?

[Kaczynski] Nowhere do the "reds" feel as comfortable as in the banking sector. The NBP head has done nothing to change that. The camp she is to head will not carry out the indispensable social restructuring.

[Zaluska] The PC is currently in isolation, without a presidential candidate.

[Kaczynski] If the right's only candidates are to be Walesa and Gronkiewicz, there really will be no place for us. Yet all is not lost. That is why I have not yet made a final decision to leave.

[Zaluska] What does that decision depend on?

[Kaczynski] On whether there is a niche for a camp that would decisively deprive the postcommunists of influence on this country and at the same time opt for democracy, a free market, traditional values, integration with NATO and the EU. That camp, however, has to be huge. It is not worth wasting time on politics for 15 seats in parliament.

Poll: 71 Percent Favor Joining EU, NATO

MM3008154495 Wroclaw GAZETA ROBOTNICZA in Polish 23 Aug 95 p 3

[PAP-attributed report: "We Want To Join NATO"]

[FBIS Translated Text] Warsaw—A confirmed majority (71 percent) of Poles would declare in favor of Poland's accession to the European Union [EU] and NATO if a referendum were held on that issue tomorrow, Demoskop [opinion polling center] reveals, basing the claim on a poll conducted 5-7 August among a random sample of 992 Polish citizens over 15 years of age.

Thirty-two percent of those polled would decidedly vote in favor of integration, while 39 percent were "rather in favor." Those opposed to integration represented 12 percent of respondents. Among the latter, one in 20 respondents (representing 6 percent) was firmly against

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integration. Fifteen percent of those questioned had no formed opinion on the matter.

Only 14 percent of respondents believe that Poland would be the side to benefit much more from integration with European structures, while 29 percent believe that the advantages of integration would be decidedly greater for EU countries. One in three respondents (34 percent) believes that integration will be advantageous for both sides, whereas only one in 50 (2 percent) is of the opinion that both Poland and the EU will lose out by it.

Twenty-eight percent of those questioned are convinced that integration with the EU will influence their incomes, and 21 percent believe that it will change the ways in which they spend their leisure time. Only 15 percent of respondents think that integration will influence their housing conditions; on the other hand, 36 percent hope that integration with EU countries will bring more attractive job opportunities.

Poll: Foreign Investment Welcomed by Poles

WS3008121995 Warsaw GAZETA WYBORCZA in Polish 29 Aug 95 p 16

[Article by Hanna Nowakowska: "CBOS on Foreign Investment: Welcome Capital"

[FBIS Translated Text] *The majority of those polled by the Center for Research on Public Opinion [CBOS] claim that foreign investment is beneficial for our country and should be carried out on a wider scale. They claim the management and not a ministry in Warsaw should decide on selling companies.*

Such are the astounding findings of a CBOS poll. In fact, these were two seperate polls: one carried out nationwide, the second for Lublin and Wroclaw. "The results of the latter are representative also for the inhabitants of other major cities," claims head of CBOS Lena Kolarska-Bobinska.

More than 70 percent of the inhabitants of Lublin and Wroclaw and 59 percent of the total population of adult Poles maintain that foreign investment is beneficial for Poland. Six and 14 percent, respectively, claim the opposite.

Respondents state foreign investment is important primarily because it is indispensable for modernizing the economy. The influx of capital and the creation of new workplaces are seen as the other major factors. Some of those polled, however, fear huge layoffs may follow if their company is purchased by a foreign investor.

The respondents say that decisions on selling companies should be made the management and the local government, in that order. The central authorities and the voivodes should not interfere.

The respondents also state that foreign companies encounter various types of obstacles in Poland and believe they should be treated on a par with domestic investors. Those polled would most gladly welcome investment in areas in direct need of technology and capital: the car and electronic industries. Farmlands, real property, mines, hospital, power plants and banks should either not be sold at all or only to a limited extent.

The majority do not care where the capital comes from. Those who do most strongly oppose Russian, Jewish and German investment. U.S. and Japanese companies are very welcome. The approach to Germans, however (respondents identify them as the major investors in Poland) has considerably improved over the last two years. Germany was most frequently mentioned in reply to the question of who should invest the most capital in our country.

How Much Foreign Investment Is There in Poland?

	Nationwide Poll	Wroclaw
	Percent	
Not enough	41	54
Enough	20	22
Too much	16	10
Difficult to say	23	15

The nationwide poll was carried out on 26-29 May 1995 on a representative random sample of 1,198 people. The Wroclaw and Lublin poll (23 May-7 June 1995) was carried out on a group of 400 people between the ages of 18 and 65 from each city.

Privatization Minister Holds News Conference

WS3008140595 Warsaw RZECZPOSPOLITA in Polish 26-27 Aug 95 p 7

[Article by Ada Kostrz-Kostecka: "Mass Enfranchisement of the People; One Can Only Count on Apartments and Real Estate"]

[FBIS Translated Text] *The mass enfranchisement of the people will be implemented first of all through the National Investment Funds [NFI] program, in line with which every adult citizen will receive a share certificate. This is the government's stand and its reply to demands submitted by Solidarity ["S"] and concerning the mass*

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enfranchisement. The government's stand was presented by [Privatization] Minister Wieslaw Kaczmarek during a press conference on Friday [25 August].

Minister Kaczmarek added that the government admits that first it is necessary to satisfy the claims of those citizens who were deprived of due benefits. He meant the five rulings by the Constitutional Tribunal. In all, this sum, which consists of the budget's debts to pensioners, senior citizens, and public sector employees, exceeds 3.1 billion zlotys [Z]—without taking into account the results of the passage of time.

Second comes the reprivatization law, that is, satisfaction of claims of former proprietors, which, the government believes, is also an element of enfranchisement. In line with the estimates of the Privatization Ministry, the governmental draft law on reprivatization will concern approximately 200,000 motions, and the value of the claims will total Z18 billion. If we allow for the death taxes, satisfaction of the claims may amount to approximately Z6.5 billion. According to the ministry, part of it (approximately Z1.2 billion) would be assets belonging to the State Treasury; some property would be given back in kind (through compensation coupons); also, farms or other idle property of the State Treasury, as well as stocks and shares which the State Treasury are taking over as a result of bank settlement procedures would be sold for coupons.

The government also believes that part of the national assets should be set aside to support the reform of the social insurance system.

The total value of the national assets to be privatized amounts to approximately Z55 billion. If we allow for the necessity to implement capital privatization, which makes it possible to supply companies with additional capital and technologies, then it is difficult to speak about allocating any money for mass enfranchisement. This process, however, is being implemented through the NFI program. Compared to the old privatization law, the new law on commercialization and privatization envisions extension of the scope of the enfranchisement.

According to Minister Kaczmarek, the "S" program is largely "politically naive." It does include, however, certain elements which might be useful. "S" conceptions might be applied especially in the process of enfranchising people interested in housing property and real estate owned, for example, by the State Treasury's Agency for Farm Property.

During the conference on Friday, Minister Kaczmarek also said that the prime minister set up a team which would examine possibilities of privatizing the national assets that remain to be privatized.

The fate of the law on commercialization and privatization depends on the Constitutional Tribunal. The ministry is working on a "minor amendment" which will include the most important elements of the new law, because in the present situation it is quite difficult to carry out privatization processes.

The ministry is also getting ready to launch a new method of capital privatization—bidding. Aside from the public invitation to make bids and from the public offering, such solutions were also included in the previous privatization law; however, they were actually not implemented.

There will be yet another novelty: The Privatization Ministry will delegate its powers regarding agreement to processes of direct privatization (leasing by employees, quick sale, and contributing a company's assets to the newly privatized firm, after the state-owned company has been crossed off the register) to its branch offices. The "central office" of the ministry will would handle only capital privatization, mass-scale programs (reprivatization—if the pertinent law is passed), and ownership supervision.

Answering questions about the Ozarow cement plant, the head of the ministry said that the Import-Export Center for Chemicals and Chemical Equipment, which acted jointly with the employee-owned company, backed out and only the Cement Polski holding company remained. According to the minister, privatization with the participation of the employee-owned company would be a mistake, and unless the offer submitted by Cement Polski is accepted, the ministry will start preparations to list the cement plant on the Stock Exchange.

As for the tobacco plants, information memos were sent on Friday to the 18 potential investors; they should submit their final offers by 19 October.

Controversy Over Oil-Sector Privatization Viewed

WS3008140895 Warsaw GAZETA WYBORCZA in Polish 30 Aug 95 p 14

[Article by Pawel Wrabiec: "Fuel Sector Privatization; Changes in Oil"]

[FBIS Translated Text] *Despite the opinions of the privatization minister, the government is forcing a conception, in line with which the Import-Export Center for Chemicals and Chemical Equipment [Ciech] should take part in the privatization of the oil sector. The Industry Ministry has revealed more changes in the oil sector privatization program.*

Yesterday, at the forum of the Sejm subcommission for ownership transformations, deputies and representatives

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of the ministries and companies involved discussed the program of restructuring and privatization of the oil sector.

We should recall a couple of things: First the government wants to set up a holding company of Nafta Polska SA, which would comprise all the refineries, the Petroleum Products Center [CPN], Port Polnocny [the Northern Port], and Petrobaltic. According to the government, squeezing all these firms into a strong concern would help them successfully compete with western giants, which will be allowed to enter the Polish market without any limitations in 1997. The second stage of the program lies in privatization of the individual companies.

Yesterday Sejm deputies and representatives of oil sector companies found out unofficially about a couple of significant changes which the government made in the program on 18 July:

- CPN is to be commercialized as soon as possible, that is, it is to be transformed into a Treasury-owned company. Originally the program envisioned dividing CPN into three firms (filling stations, a transport branch, and fuel bases); then these firms were to be commercialized. This change means that, for the time being at least, CPN will remain "intact."
- The Oil Pipelines Exploitation Company will become part of Nafta Polska (reasons for this decision were not given).

It seems to be a foregone conclusion that Ciech will also be part of Nafta Polska. Andrzej Pierzak and Andrzej Zebrowski, representatives of the Industry and Privatization Ministries, respectively, confirmed to us yesterday that talks are under way in the government on the scale of Ciech's participation in Nafta Polska.

As we have already reported, Ciech's participation in the program is being strongly and actively supported by the Ministry of Foreign Economic Cooperation [MWGzZ], controlled by the Polish Peasant Party [PSL]. Last year Leslaw Podkanski, who was MWGzZ head at that time, appointed Zdzislaw Matkiewicz to the post of Ciech director. Matkiewicz is generally considered to be a man linked to PSL. Early in 1995, Minister Podkanski managed to include Ciech in the draft program.

"On 18 July, the government decided that Ciech is to change from a company with limited liability into a shareholders company," Director Andrzej Pierzak of the Industry Ministry said yesterday. Without this step, participation of the company in Nafta Polska would be impossible.

Participation in the holding company means enormous profits for Ciech, because it would most probably obtain a monopoly on oil imports.

"We cannot see any arguments in favor of including Ciech in the holding," said Deputy Minister of Privatization Andrzej Zebrowski. Ciech ought to settle for the status of an ordinary supplier. According to Minister Zebrowski, refineries cannot be dependent on Ciech. They ought to have complete freedom of action in importing oil from any source they like.

Also representatives of the Polish Industrial Lobby cautioned against incorporating Ciech into Nafta Polska yesterday. According to the experts of this association, Ciech's participation may cause costs as well as fuel prices to go up.

According to Ciech Director Zdzislaw Matkiewicz, an argument in favor of incorporating his firm into Nafta Polska is Ciech's big capital and experience in oil trade. "Ciech's offer is the cheapest," Matkiewicz said yesterday. Konrad Jaskola, director of the Plock Petrochemical Plant, says that this is not true and that oil offered by Ciech is too expensive.

Refineries and the Privatization Ministry do not like the most recent conception of restructuring CPN. "Incorporation of an undivided CPN into the holding company will not limit, but strengthen its position on the market at the cost of the refineries," Zebrowski believes.

During the session of the subcommission, part of the schedule of restructuring the sector was revealed:

- CPN is to be commercialized and Nafta Polska is to be set up by 30 September.
- All the refineries will contribute their shares to Nafta Polska by 31 December.

The date of liberating fuel prices remains unknown.

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Daily Says Vacaroiu Preparing Authoritarian Regime

AU2908155595 Bucharest AZI in Romanian 24 Aug 95 p 4

[Editorial by Bogdan Mirea: "Whoever Criticizes the Government Is 'an Enemy of the People'"]

[FBIS Translated Text] The way in which Prime Minister Nicolae Vacaroiu has reacted and continues to react to the criticism voiced against the current government makes one question his capacity for understanding at least the most elementary rules of a democratic system. In particular, the relations between the governors and those who are governed are being "turned upside down"—this was shown at the recent "quarterly" news conference held at Victoria Palace [on 22 August].

We will no longer refer to the way he replied to the viewpoints of some political formations, including some of those who are included in the government arch. Lately, some of the most virulent criticisms of the government, particularly about the dramatic deterioration of living conditions, came from its trustworthy allies. Certainly, Mr. Vacaroiu "pretended not to have heard" the extremely serious accusations that came from this area on the issue of "political support" granted to the current government. "Hawks will not pick hawks' eyes out!" But, as I was just saying, we have gotten mainly used to the dirty attacks against the Democratic Party, so I am not going to refer to reactions criticism coming from that side.

Even if we only take into consideration the critical signals included in the progovernment press, we will easily see that the managers, clerks, employees, pensioners, pupils, and students notice the numerous anomalies and extremely negative phenomena that emerge (certainly, this is not recognized) from the government's activity, in the real sense of the word.

As far as the implementation of some laws is concerned (such as those referring to the land stock, taxes, and local dues, and the so-called acceleration of privatization) the responsibility lies directly with the executive bodies and is connected with the way in which various government activities are carried out. We have to repeat it, we do not refer to the cases noticed by us, but by the progovernment press, which takes care of presenting them in each issue of their papers as isolated cases. Considering that the same type of act committed at different times and different periods are being discussed, however, it is not difficult to realize that we are facing a real phenomena here and serious social offenses, with the effects of a pseudopolicy in all areas of our political, economic, and cultural activity.

We do not doubt that, through various channels, including the intelligence services, the government is supplied with data that shows the real situation "in the field." Although the recent working visits of Prime Minister Vacaroiu and Adrian Nastase [executive president of the Social Democracy Party of Romania—PDSR] were organized in such a way that everything should look wonderful, fascinating, and full of achievements and satisfaction, some timid criticism was nevertheless emerging. You can be blind and still be aware of some of the hardships and sufferings of our citizens. Nonetheless, Mr. Vacaroiu's exposition at his news conference ("exposition" is the term that he used personally for the frivolous bantering conceived especially so that nobody would understand it) did not show the smallest sign of having been affected by the criticism of the citizens, of people who live on this land governed by the prime minister and his people. Do those people not deserve an explanation, do they not have to be told why their life is getting worse and worse and why more and more things are getting increasingly unclear and confusing to citizens?

Instead of strictly necessary explanations, people received an abundance of triumphant data about economic growth, about a decrease in the inflation rate, and about the improvement of their standard of living. That was simply an act of defiance of our citizens, of millions of desperate people who have been crushed by the uncertainty of their present day and of their tomorrows. Moreover: to the criticism voiced by citizens either directly or through the press organs of or some parties, the prime minister had an irritated, aggressive response and even resorted to accusations that reminded us of sad bygone days. The progovernment press completed what Mr. Vacaroiu failed to say—this time—(thus, the illustrious person avoided making the monumental errors that he has made lately) and openly threatened those who dared to criticize the Vacaroiu government. This fact has to be regarded most seriously. It confirms numerous acts (open or disguised) through which the PDSR is trying to immortalize its place at the top. Therefore, no normal person can share either the content or the form in which the current leaders disregard the opinions of those over whom they rule. The time when an authoritarian regime will be instituted is not far off. Mr. Vacaroiu's unmistakable style lets us know that those times are not too far off. Except if—paraphrasing an old saying—we get wise "sooner" rather than "later," when it might be too late.

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UDMR Ready for Local Alliance With PDSR

AU3008144095 Bucharest CURIERUL NATIONAL in Romanian 24 Aug 95 p 3

[Unattributed article: "UDMR Does Not Rule Out an Alliance With PDSR"]

[FBIS Translated Text] Bela Marko, president of the UDMR [Democratic Union of Hungarians in Romania], stated on Tuesday [22 August] to the MEDIAFAX Agency that he does not exclude the possibility of achieving an electoral alliance with the PDSR [Social Democracy Party of Romania], in view of the local elections. "If changes in the attitude and in the programs of the PDSR took place, I would not rule out the possibility of achieving an alliance at the local level" said the UDMR leader. Bela Marko also emphasized the fact that the UDMR would prefer an alliance with opposition parties, but also at the local level, rather than the national level. In the localities where Hungarian ethnics make up the majority, the UDMR will run its own candidates for the position of mayor, while in the other localities the UDMR still has to study the possibility of concluding some electoral agreements, said the UDMR president.

To Protest Education Law 2 Sep

AU3008115095 Bucharest ADEVARUL in Romanian 24 Aug 95 p 1

[MEDIAFAX report: "UDMR Has Finalized Its Program of Protests Against Education Law"]

[FBIS Translated Text] The executive presidium of the UDMR [Democratic Union of Hungarians in Romania] held a marathon meeting of 10 hours in Cluj on Tuesday [22 August] and discussed the program of protest actions against the Education Law. The first such action will take place in Odorheiul Secuiesc on 2 September 1995, when, according to statements made by Bela Marko [UDMR president] the UDMR will organize a "mass rally." Also as part of the protest actions, the organizers have planned rallies, assemblies, and meetings in all localities where ethnic Hungarians are living. At the same time, the UDMR has started a verbal and written consultation with the ethnic Hungarians on the issue of boycotting the 1995-96 school year.

Israelis Successfully Test Modernized MiG-21

AU3008140995 Bucharest EVENIMENTUL ZILEI in Romanian 24 Aug 95 p 12

[Article by Liviu Avram: "Defense Minister Gheorghe Tinca and Israel's Ambassador Attend the Test Flight of a Modernized MiG-21"]

[FBIS Translated Text] Gheorghe Tinca, Romania's minister of national defense, and Avshalom Megidon, Israel's ambassador to Bucharest, arrived in Bacau on 23 August at 1130 local time [0900 GMT] at the head of a large delegation, to attend the test flight of the first MiG-21 plane modernized in cooperation between the Bacau factory AEROSTAR and the Israeli firm ELBIT. The modernization program, from which the Ministry of National Defense would benefit, includes updating the electronic and radar equipment of this type of airplane, which thus becomes compatible with those in the NATO inventory.

The plane's first test flight was scheduled for Monday, 21 August, but a flock of storks upset the plans. The birds could not be driven away from the area around the Military Airport, not even with pop guns. After the first flight on Tuesday afternoon, the Israeli pilots seemed greatly pleased with the performance of the modernized plane, AEROSTAR military sources informed us.

For reasons difficult to understand, press representatives were banned not only from yesterday's tests, but were prevented from having access to the smallest information regarding the test.

Cost of Modernization: $300 Million

AU3008141595 Bucharest EVENIMENTUL ZILEI in Romanian 25 Aug 95 p 14

[Unattributed article: "The Israeli Modernization of Romanian MiG-21 Planes Cost $300 Million"]

[FBIS Translated Text] Bucharest officials authorized on Thursday, 24 August, the start of the execution phase to modernize 100 Romanian MiG-21 fighters by the AEROSTAR company in Bacau and the Israeli Firm ELBIT, which will cost $300 million, REUTER informs.

The authorization came after the first modernized plane had been tested on Wednesday, 23 August, according to NATO standards, in the presence of Gheorge Tinca, the Romanian minister of National Defense, and the Israeli Ambassador to Bucharest Avsalom Megidon.

According to the respective project, whose completion will take four years, ELBIT will equip the 100 Romanian MiG planes with the latest military technology.

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Federal

Agreement With SR on Joint Appearance in Talks

AU3108105795 Belgrade Radio Beograd Network in Serbo-Croatian 1000 GMT 31 Aug 95

[FBIS Translated Text] An agreement was signed in Belgrade last night between the Federal Republic of Yugoslavia and the Serb Republic [SR] on their joint appearance in further peace negotiations on solving the crisis in the territory of the former Bosnia-Herzegovina.

The agreement states that the SR leadership agrees to fully coordinate its approach to the peace process with the leadership of the Federal Republic of Yugoslavia in the interest of achieving peace. The SR will appoint three members into the single [jedinstven] delegation of six members headed by Slobodan Milosevic, president of the Republic of Serbia, which will hold negotiations on the entire [celovit] peace process for Bosnia-Herzegovina.

The delegation has been authorized to sign on behalf of the SR a peace plan for the part referring to the SR, with the obligation to strictly and consistently implement the agreement reached.

Accord 'Text,' RS Delegation

LD3008211095 Belgrade TANJUG Domestic Service in Serbo-Croatian 1852 GMT 30 Aug 95

[FBIS Translated Text] Belgrade, 30 Aug (TANJUG)—A joint meeting of the leaderships of the Federal Republic of Yugoslavia [FRY] and the [Bosnian] Serb Republic [RS] was held yesterday, 29 August. An agreement was reached according to which Pale accepts Belgrade's peace policy—that is, the RS leadership agrees to fully coordinate its approach to the peace process with the FRY leadership in the interest of achieving peace.

Peace talks on resolving the crisis in Bosnia-Herzegovina will be held by a six-member delegation (three members each from the FRY and the RS), led by Slobodan Milosevic, president of the Republic of Serbia.

The joint meeting was attended by FRY President Zoran Lilic, Serbian President Slobodan Milosevic, Montenegrin President Momir Bulatovic, Federal Prime Minister Radoje Kontic, Federal Defense Minister Pavle Bulatovic, and Colonel General Momcilo Perisic, chief of General Staff of the Yugoslav Army, on behalf of the FRY, and by Radovan Karadzic and Biljana Plavsic, the president and vice president of the Serb Republic, Assembly President Momcilo Krajisnik, RS Prime Minister Dusan Kozic, Foreign Minister Aleksa Buha, and Colonel General Ratko Mladic, chief of General Staff of the Serb Republic Army, with Generals Zdravko Tolimir, Milan Gvero, and Djordje Djukic on behalf of the Serb Republic.

The meeting was also attended by Patriarch Pavle of the Serbian Orthodox Church and Bishop Irinej Bulovic.

The following is the text of the agreement:

1. The RS leadership agrees to fully coordinate its approach to the peace process with the FRY leadership, in the interest of achieving peace.

2. To this aim the RS will delegate the following three members to a single six-member delegation that, led by Slobodan Milosevic, president of the Republic of Serbia, will hold talks on the overall peace process for Bosnia-Herzegovina:

Radovan Karadzic, president of the Serb Republic,

Momcilo Krajisnik, president of the RS Assembly, and

Col. Gen. Ratko Mladic, commander of the General Staff of the Serb Republic Army.

The delegation has been charged on behalf of the Serb Republic with signing the part of a peace agreement that refers to the Serb Republic, with the duty of implementing the achieved agreement strictly and consistently.

3. The RS leadership agrees that the delegation will adopt all binding decisions in connection with the peace plan by a simple majority. In the event of a tie, President Slobodan Milosevic will have the casting vote.

4. The FRY Government will elect the members of the FRY delegation.

5. President Slobodan Milosevic will decide on possible changes in the FRY delegation, and President Radovan Karadzic will decide on any changes in the RS delegation, on condition that the changes in the delegations do not affect the provisions of this agreement.

The text of the agreement was signed by all participants at the joint meeting.

Note Condemns 'Terrorist Act' on Albanian Border

MM3008163995 Belgrade TANJUG Domestic Service in Serbo-Croatian 1501 GMT 30 Aug 95

[FBIS Translated Excerpt] Belgrade, 30 Aug (TANJUG)—The Federal Ministry of Foreign Affairs today sent Albania a vehement protest note over a serious terrorist act that occurred on the Yugoslav-Albanian border yesterday, in which one Yugoslav soldier was killed and another seriously wounded.

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The protest note says that such acts not only threaten Yugoslav-Albanian borders, but also represent danger to peace and security in the Balkan region.

A protest note handed today to Besnik Konchi, charge d'affaires at the Albanian Embassy in the Federal Republic of Yugoslavia, says that this terrorist act is an integral part of the Albanian policy of provoking border incidents and exacerbating the situation on the Yugoslav-Albanian border.

"The instigation of terrorist acts by Albania is in flagrant contravention of fundamental UN and Organization for Security and Cooperation in Europe documents, whereby all civilized states are obligated to renounce and prevent terrorism," the note says.

"The Federal Republic of Yugoslavia resolutely calls on the Republic of Albania to take urgent and energetic measures and find, punish, or possibly hand over the perpetrators of this terrorist act to the bodies of the Federal Republic of Yugoslavia," says the statement issued by the Federal Ministry of Foreign Affairs. [passage omitted]

Serbian-Montenegrin Tensions Over Economics Noted

95BA0318A Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 31 Jul 95 p 16

[Article by M. Lakicevic: "Summer Cooling"]

[FBIS Translated Text] "The Serbian Settlement Agency [SPP], pursuant to a decision of the republic government on providing funds to purchase this year's wheat crop, will begin payment for this year's crop on 1 August 1995," Dragan Curcic, director of the main branch of the SPP in Serbia, said at the beginning of last week. Did anyone notice anything unusual in this statement? Here, meaning Belgrade and Serbia, perhaps not, but in Montenegro they did. Is the SPP a republic or federal agency? Is the question that came "from below," and if it is federal, which it is, then how is it that it is acting by decision of one republic government? And everything that is happening concerning wheat, informed sources say, is just the most recent example of the now well-oiled way in which the Yugoslav federal state functions. After all, if the new measures of economic policy are first announced from the Government of Serbia, and only later do the Federal Government and National Bank of Yugoslavia [NBJ] become involved in elaborating them, or, better to say, promoting them, then it is nothing unusual for the support price of wheat to be announced first by the Serbian Government, and only thereafter by the Federal Government, with its own price, which in practical terms is lower. Incidentally, who at this point is going to sell wheat to the federal state, and it is not exactly clear what that battle will look like in the field between the federal (presumably "blue") and republic ("red") purchasers of grain. It is not a bad thing for this competition to develop, someone might say, let the sun shine a bit for the peasants, but that competition is actually only on paper, only theoretical, because the federation does not have money and does not represent any adversary for the republic state. Thus, Serbia will become the owner of its grain, and the Montenegrins will keep fresh in their memory the "Customs officials" at Kolovrat who, two years ago, stopped trucks carrying food and did not let them cross into Montenegro.

What agriculture is for Serbia, tourism is for Montenegro, the Montenegrins say. That is indeed how it was treated in the previous Yugoslavia, and just ahead of the season the tourist industry was granted credits from primary note issue just like in the case of the harvest. Thus, prices might have been lower, and, at least for domestic guests, they did not have to be 100-percent economic. Last year, however, more than 200 million dinars were extended in credits for the harvest from primary note issue, but the tourist industry did not get anything. This year, however, there was not even any money from primary note issue for the harvest, but the Montenegrins recall that last year's debt still has not been repaid, and then they asked how it is that there is no money in the federal budget for purchases, while there is in the republic, that is, Serbian, budget? This has long been talked about sotto voce in Montenegro, and in last week's meeting of the Presidium of the Yugoslav Chamber of Commerce, Vojislav Djukanovic, president of the Montenegrin Chamber of Commerce, publicly put the question of where the money from Customs is going, and, in general, what is happening to the revenues to which the federal state is entitled? As yet another example of the failure to respect federal institutions, Djukanovic cited the energy budget, saying that instead of 33,000 metric tons of petroleum products, and these were for priority purposes, that is, schools, hospitals, and the like, Montenegro received only 6,000 tons. And for that reason the price of gasoline in Montenegro had to be higher than in Serbia, which also had something to do with "shaping" this year's bad tourist season. The passport raid of Kertes's forces on the innocent Macedonian [The Former Yugoslav Republic of Macedonia] tourists, about which no one in the federal state had any idea, it seems, was only the drop that made the cup run over and forced Mile Djukanovic to make a public promise that he would get to the bottom of the way the federal state is operating.

In formal law, that is, under the Constitution, Yugoslavia is a fairly centralized federation in which fed-

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eral agencies have relatively broad powers. Precisely in keeping with that idea, the former national banks of the republics were turned into branches, and the same thing happened to the settlement agency. But in practice, things have not been operating that way at all. The example from the beginning of this article is just another confirmation of that fact. However, it is a still bigger problem, at least for the Montenegrin federal unit, that Serbia is exerting decisive influence even on the operation of federal agencies through informal channels, i.e., through personnel connections. Foreign policy is a federal function par excellence, but everyone has become so accustomed to the fact that in practice it is conducted by the president of Serbia, while the president of Yugoslavia, the Federal Assembly, and the Federal Government have practically no role in this, that no one even mentions it has a problem any longer. That is why Serbia could easily give up its Foreign Ministry, and for exactly that same reason Montenegro is clutching its own so defensively. But then Serbia has not deleted that article in its Constitution that entitles it to disregard decisions of federal bodies and agencies if it judges that they are harmful to this republic.

Business legislation is an area in which conflicts occur most frequently. In these disputes, it has been Montenegro, as a rule, that showed a considerably higher degree of openness and liberalism (the Law on Foreign Investments, the free trade zones, and so forth), but it seems that conflict has culminated over the law on enterprises. In fact, here again, Serbia, thanks to its own personnel, has imposed its own solution and incorporated into the law the socialized enterprise and socialized property, although the Federal Constitution does not recognize this category (nor does the Montenegrin Constitution), which is why this key document for the economic system still has not been enacted, and the compromises suggested several times have never seen the light of day. In the meantime, Montenegro is continuing to pursue the idea of "1995 is the year of privatization." Little by little, large advertisements are being published in POBJEDA about the sale of shares of some large socialized firm (the most recent examples: HTP Fjord and Radoje Dakic) on approximately the same pages where the Belgrade newspapers publish the results of showdowns between the city "godfathers."

Bank Insolvency; Lack of Financial Discipline

95BA0318B Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 31 Jul 95 pp 17-18

[Article by T. Nikolic: "Nonliquidity: From Negative to Hyperinflation"]

[FBIS Translated Text] The financial discipline of the economy, of banks, of the state, and so on, which has been much talked about recently, was never the "strong suit" of the socialist economy, whether it was the planned economy, the consensus economy, or indeed even the present command economy. In other words, if money was easily spent under our economic conditions for almost half a century, and even now we are so inclined, then it is not very likely that financial discipline can be arrived at without radical changes in property relations. To be sure, many people believe that property relations are not the primary problem, and it is anticipated that the minus sign in bank accounts will be removed by some magic wand, although many agree with the assessment that this is a very unfavorable form of what is called gray issuance of money. What is actually involved here?

First of all, on 26 May of this year, Governor Dragoslav Avramovic sent a letter to bank directors with the following content: "Recently, there has been an ever more pronounced burden on monetary policy from autonomous issuing of money in the form of negative balances in bank accounts. I understand that the banks had a problem during the period of remonetization of the money supply and renewal of the deposit potential, that in dynamic terms they are maintaining equilibrium between funds and loans, and they therefore have often had negative balances in accounts."

As we see, the government was pointing with "chosen words" to the problems of negative balances in the banks, but further on in the letter he took a somewhat more severe tone in saying that "the process of remonetization has been completed, and we cannot tolerate any further issuing of money that would increase the money in circulation beyond the planned limits." And the letter concludes: "I expect you to bring the maturity of your loans into conformity with the maturity of deposits and to maintain liquidity in your business operation in keeping with the instruments of monetary policy."

A month and a half from the day when the government sent out this letter to the directors of our banks, there was a meeting of the banking committee of the Chamber of Commerce of Yugoslavia on monetary policy, where it was said that the liquidity of the banks now amounts to only 2 percent of the money supply, and almost half of that is cash (more accurately, about 45 percent of the money supply). The minuses or negative balances of the banks are growing with every passing day, and they are reaching the aggregate amount of 50 to 80 million dinars. In July of this year, the average of those negative balances was 23 million dinars, which is nothing new in view of the fct that this problem has been around for a long time, as indicated by the figures in Table 1.

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Table 1. Positive and Negative Balances in Giro Accounts of Banks in Yugoslavia (10-day averages; amounts in thousands of dinars)

	Positive Balances	Negative Balances	Percentage of "Red" Balances (positive balance in the giro account = 100)
October 1994	76,146	13,685	18.0
November 1994	47,106	25,063	53.2
December 1994	59,117	22,634	38.3
January 1995	66,880	22,255	33.3
February 1995	49,936	26,027	52.1
March 1995	64,700	28,570	44.2
April 1995	54,958	9,090	16.5
May 1995	54,835	21,402	39.0

Source: Magazine FINANCING, No. 6, 1995, p 8, Novi Sad.

As we see, the negative balances in the giro accounts of banks are our reality; that "lack of discipline" has been tolerated for quite a long time now, although it has been said that this practice was abandoned at the moment when the Program for Monetary Reconstruction was put into effect. In saying this, we are mindful of the letter of Bozidar Gazivoda, M.A., deputy governor of the NBJ [National Bank of Yugoslavia], which on 20 January 1994 was sent to the general director of the Yugoslav Settlement Agency. That letter states the following: "So that the National Bank of Yugoslavia can follow flows of the issuing of money, the Settlement Agency of Yugoslavia needs to immediately stop covering negative balances in the accounts of banks. At the same time, it is indispensable that the Settlement Agency notify all participants in the settlement system that it will no longer cover negative balances in their accounts."

Neither letter of the central bank has had a constructive impact, because the negative balances in the giro accounts of the banks have continued, although it has been realized that this is gray issuance of money and that the central bank does not know even today how much money is in circulation because the negative balances do not figure in computation of the money supply. For precisely that reason, Dr. Zoran Djindjic of the Democratic Party has been talking about the alarming situation in which there is no money, while inflation and prices rise. According to him, there are two possibilities in explaining the shortage of money: the official 2.5 billion of the money supply and the unofficial 2.8 billion dinars. The growth of the money supply, in spite of the general nonliquidity, according to Djindjic, has gone to the credit financing of the socialized sector of the economy, where the money has been spent on loans that were not repaid. The disturbing thing is that even the NBJ governor does not know how much money is in circulation and that between 300 and 400 million dinars have not been officially recorded in circulation. That means that this money has in the meantime been printed up, Djindjic said, noting that this constitutes about 10 percent of the total money supply, which, he said, is a terribly large amount for any normal economy (NASA BORBA, 8-9 July 1995, p 2).

Because it is said that the machines in Topcider are standing idle and new money has not been printed, we should point to the fact that in 1995 completely new bank notes have been appearing and one could smell the ink on them, although the date says 3 March 1994, which means that at the beginning of application of the Program for Monetary Reconstruction so much money was printed that there did not even need to be new print runs to get a far larger quantity of money, that is, the money supply.

To see that this hypothesis is accurate and makes sense, one needs only to take up once again the book by Mladjan Dinkic *Ekonomija destrukcije—velika pljacka naroda* (*The Economy of Destruction: The Big Robbery of the People*), in which the author describes everything that can be done with the amount of money printed and that is sitting in the warehouse in Topcider waiting for a "wink" for cash to be put into circulation. Perhaps that is also the location of the "phantoms" of this year's monetary shocks, because brand new bank notes

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have been appearing constantly, that is, in payments of salaries and pensions, so that there would be less suspicion.

All in all, the stories about the restrictive credit-and-monetary policy are stories for the uninformed, although the system of so-called gray note issue is inconceivable even for experts, including bankers.

It is evident from the table that since the 24th 10-day period, from October 1994 to May 1995, in seven of those 10-day periods the negative balance represented more than 50 percent of the balance of funds in the giro accounts of banks. When we know that the balances in periods when liquidity or nonliquidity of the banks was being monitored, then we can imagine the days when the negative balances exceed the positive balances several times over!

Table 2. Average Balances in Giro Accounts of Banks in Yugoslavia (in thousands of dinars)

Month and 10-Day Period	Positive Balances	Negative Balances	Percentage of "Red" Balances (3 x 100/2)
October 1994	76,146	13,685	18.0
—1st 10-day period	83,866	10,424	12.4
—2d 10-day period	77,242	11,131	14.4
—3d 10-day period	67,330	19,500	29.0
November 1994	47,106	25,063	53.2
—1st 10-day period	46,658	23,914	51.3
—2d 10-day period	47,363	19,839	42.0
—3d 10-day period	47,297	31,436	66.5
December 1994	59,117	22,634	38.2
—1st 10-day period	43,673	25,975	59.5
—2d 10-day period	73,973	10,942	14.8
—3d 10-day period	59,705	30,985	52.0
January 1995	66,880	22,255	33.3
—1st 10-day period	71,168	18,204	25.6
—2d 10-day period	67,216	25,317	37.7
—3d 10-day period	62,256	23,244	37.3
February 1995	49,936	26,027	52.1
—1st 10-day period	43,650	23,970	54.9
—2d 10-day period	42,371	23,708	56.0
—3d 10-day period	63,787	30,403	47.7
March 1995	64,700	28,570	44.2
—1st 10-day period	55,100	40,831	74.1
—2d 10-day period	72,139	32,098	44.5
—3d 10-day period	66,861	12,781	19.1
April 1995	54,958	9,090	16.5
—1st 10-day period	57,139	11,376	19.9

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Month and 10-Day Period	Positive Balances	Negative Balances	Percentage of "Red" Balances (3 x 100/2)
—2d 10-day period	55,071	8,173	14.8
—3d 10-day period	52,664	7,721	14.7
May 1995	54,835	21,402	39.0
—1st 10-day period	57,122	28,061	49.1
—2d 10-day period	54,837	18,355	33.5
—3d 10-day period	52,546	17,790	33.9

Source: Magazine FINANCING, No. 6, 1995, p 8, Novi Sad.

Serbia

U.S. Delegation Begins Talks With Milosevic

AU3008142795 Belgrade Radio Beograd Network in Serbo-Croatian 1300 GMT 30 Aug 95

[Report by Tamara Motrenko]

[FBIS Translated Text] Talks between Serbian President Slobodan Milosevic and the U.S. negotiating delegation led by Richard Holbrooke, assistant secretary of state for Europe, have started in Belgrade. Holbrooke did not want to say anything to journalists about the bombing of the Serb Republic. Tamara Motrenko reports:

[Motrenko] The U.S. delegation led by Richard Holbrooke, U.S. assistant secretary of state, arrived in Belgrade at noon from Paris, where it held talks with political directors of the Contact Group and Alija Izetbegovic.

They were received by President Slobodan Milosevic in the Serbian Presidency building at about 1345.

Addressing a large number of domestic and foreign journalists gathered at the entrance to the Presidency building, the head of the U.S. delegation, Richard Holbrooke, said the following:

[Begin Holbrooke recording in English fading into Serbo-Croatian translation] President Clinton has sent us here today on a peace mission at the moment of war. We are returning to the region for the second round of talks after the very useful and productive negotiations with Alija Izetbegovic. Time is more precious than ever. [end recording]

Richard Holbrooke, U.S. President Clinton's envoy, said that he is looking toward the important and productive talks with President Milosevic with expectations. The talks between the Serbian president and the U.S. delegation are still in progress.

Holbrooke: Talks 'Productive'

AU3008163695 Belgrade Radio Beograd Network in Serbo-Croatian 1555 GMT 30 Aug 95

[Report by Tamara Motronko, from the "An Argument More" program]

[FBIS Translated Text] After the first round of talks with Serbian President Slobodan Milosevic, Richard Holbrooke, head of the U.S. delegation and assistant U.S. secretary of state, stated briefly for a large number of domestic and foreign correspondents in front of the Presidency building:

(Begin Holbrooke recording in English, fading into Serbo-Croatian translation] I have only a brief statement to make. Our U.S. delegation has held the first four-hour round of talks with President Milosevic and his team. We are returning here in two hours for more talks with President Milosevic, after this round that was productive and very useful. [end recording]

Milosevic 'Confident' of Peace

LD3008173495 Belgrade TANJUG Domestic Service in Serbo-Croatian 1646 GMT 30 Aug 95

[FBIS Translated Text] Belgrade, 30 Aug (TANJUG)—Slobodan Milosevic, president of the Republic of Serbia, held talks in Belgrade today with a high-ranking U.S. Government delegation led by Richard Holbrooke, U.S. assistant secretary of state. The delegation includes high-ranking White House, Pentagon, and Department of State officials.

In a lengthy meeting, which took place in an atmosphere of sincerity and respect for the views put forward, both sides explained in detail their stands on the most important issues concerning efforts to find a political settlement for the Yugoslav crisis, as well as further developments in the peace process and its completion.

Considerable progress was noted in the rapprochement of stands on settling the crisis and the taking of resolute

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steps aimed at speeding up activities linked to the continuation of the negotiating process in order that a political solution can be found on Bosnia-Herzegovina soil, crucial conditions created for the total eliminitation of the existing tension and for the normalization of the political situation in the Balkans.

President Milosevic said he is confident that it is possible to restore peace in war-affected areas, provided the international community, by assuming an impartial attitude toward the warring sides, secures equal protection of their legitimate rights and interests and decides against resorting to a military option to resolve the crisis. In this respect, it is necessary to avoid all military activities, particularly NATO actions, in the future, which is in the interest of giving a maximum stimulus to the political process.

It was assessed that the U.S. peace initiative provides a realistic perspective for restoring peace; it contains the necessary elements, on the basis of which it is possible to define political solutions guaranteeing peace and equal protection of interests of all of the warring sides.

The talks were also attended by Yugoslav Foreign Minister Milan Milutinovic, and Rudolf Perina, charge d'affaires at the U.S. Embassy in Belgrade.

Jovanovic for Investigation of Sarajevo Massacre

MS3008082795 London ITV Television Network in English 1800 GMT 29 Aug 95

[Telephone interview with Zivadin Jovanovic, Serbian deputy foreign minister, by Jon Snow on 29 Aug; Jovanovic in Belgrade, Snow in London: for the "Channel Four" newscast—recorded]

[FBIS Transcribed Text] [Snow] Would you support reprisals against those who were responsible for yesterday's massacre?

[Jovanovic] We certainly are for a very thorough investigation and the perpetrators to be exposed and punished exemplarily as perpetrators of this heinous crime, and we however do not think that one [?event] should not be healed by bombardment or by some other measures on a military side because any escalation of use of military means would contribute to aggravation of the environment for peace. We would therefore urge everybody to redouble efforts on a political and diplomatic side in order to give a chance for peace.

[Snow] Right then on that basis, then, what is Serbia prepared to do—are you prepared, for example, to recognize Bosnia Herzegovina?

[Jovanovic] Well, we have always been open to recognize all the [word indistinct] Yugoslav republics as long as we have progress in resolving those consequences of unilateral preparation. Therefore we remain open for considering the issue of recognition of former Bosnia and Herzegovina as a union of two equal entities, Muslim-Croat federation on one side, and Republica Serbsca on the other being equal entities of union.

[Snow] But in all this we come back to the whole problem which is that of the relationship between Belgrade and Pale?

[Jovanovic] Well we certainly have influence over those people who favor peace, and we shall continue to gain momentum of those forces, including in Republica Serbsca in former Bosnia Herzegovina. But you will appreciate that it is more than several months now, almost a year, that we have severed our official relations with the leadership of Republica Serbsca, and therefore we have very limited scope of influence over the leadership itself.

Commentator Criticizes U.S. Involvement in B-H

AU3008211395 Belgrade Radio Beograd Network in Serbo-Croatian 1700 GMT 30 Aug 95

[Interview with POLITIKA's military commentator, Miroslav Lazanski, by Dobrica Milicevic on 30 August—live or recorded]

[FBIS Translated Text] [Milicevic) Colleague Lazanski, our impression is that NATO could hardly have waited for a concrete motive to launch these attacks. The participation of the Serb side in the investigation into the incident in Sarajevo was not accepted. The incident was immediately blamed on Serbs, and reaction followed immediately. How do you explain this haste?

[Lazanski] Yes, you are right. One should remember that Mr. Richard Holbrooke, U.S. assistant secretary of state, stated one week ago that, if the Bosnian Serbs do not accept the latest peace plan of the United States, air strikes would be launched on their forces.

It is probable that the massacre, the loathsome crime against civilians in Sarajevo, represented only a motive that was used immediately. The investigation did not even precisely establish who was responsible for it. This motive represented a turning point, and NATO decided simply to break the military power of the Army of the Serb Republic and, by destroying its military potential, simply force the Serb side to continue the peace negotiations under the conditions dictated this time, of course, by the United States.

[Milicevic] How do you explain the fact that many civilian facilities have been destroyed in today's bombing?

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[Lazanski] It is obvious that, in view of the disposition of military resources, collateral damage cannot be avoided. On the other hand, NATO undertook this operation with the aim of directly destroying not only the military potential of the Army of the Serb Republic but also industrial facilities. The destruction of buildings such as colleges and even some medical institutions, considered in NATO's military terminology to be potentials of the Serb Republic, was also intended. The second stage of bombing, which was announced by Mr. Yasushi Akashi, probably even envisages wider attacks on communications and other industrial facilities. There was even some talk of a possible attack on hydrodams, which is indeed something that borders on insanity at this moment.

[Milicevic] There is an option according to which the air strikes would be followed by infantry attacks of the Muslim-Croat coalition and that these two are even synchronized.

[Lazanski] Yes, you are right. The Muslim-Croat military coalition in Bosnia will most certainly try to exploit the military successes of NATO aircraft and to act as a land echelon of NATO forces in an attempt to breach the Serb defense lines on some parts of the front and in this way achieve with the military means the plan of territorial demarcation of 49-51 percent on the ground.

One should expect an offensive by the Muslim forces from Gorazde and Sarajevo, and these might even be aimed at making a corridor and linking up these forces somewhere in the Treskavica region.

[Milicevic] Some reports in the West indicate that these strikes will end today. However, THE WASHINGTON POST writes today that the attacks are expected to last a day or two. What do you think?

[Lazanski] This is very possible. It is certain that, in terms of accuracy, the most effective for NATO and the West was the first attack in the night, regardless of the fact that it was carried out at night, as the attack focused on stationary facilities. After the first attack, the Army of the Serb Republic probably put all of its mobile combat hardware in the woods or in shelters, so that all subsequent attacks were actually supposed to improve the results of the first attack and probably correct the reports obtained from satellites and reconnaissance planes. With the bombing that took place this afternoon and this evening, NATO probably wanted to complete what was not achieved in the first attack.

All future NATO attacks on land systems of the Army of the Serb Republic will probably be somewhat less accurate because the element of surprise is over.

[Milicevic] Yes. Colleague Lazanski, at the end we must say that NATO had not reacted anywhere near this severely, nor had it even threatened the Croats when they carried out aggression in western Slavonia and Knin.

[Lazanski] Yes, this is correct. NATO and the United Nations have on this occasion demonstrated complete [word indistinct] and the policy of double standards, a policy of double yardsticks, a lack of total objectivity, and bias. With this aggressive act of bombing Serb positions in Bosnia, the United States has directly taken the side of one warring party in the bloody civil war in the former Bosnia-Herzegovina.

[Milicevic] Thank you very much.

Political Parties Condemn NATO Bombing

LD3008192395 Belgrade TANJUG in English 1743 GMT 30 Aug 85

[FBIS Transcribed Text] Belgrade, Aug 30 (TANJUG)—The Socialist Party of Serbia (SPS) strongly condemned the bombing of Serb positions in the former Bosnia-Herzegovina and asked the international community to immediately put a halt to it, an SPS statement issued Wednesday [30 August] said.

Serbia's ruling party said that this was no way to solve the Bosnian crisis and that it could only cause an escalation of the war and further suffering of the people.

SPS also condemned the massacre of civilians in Sarajevo regardless of who was responsible, and said the act was aimed at halting the peace process.

SPS considered that the crisis in the former Bosnia-Herzegovina could successfully be solved only by rapidly putting an end to the war, by conducting a persevering policy of peace and by continuing the peace talks which will lead to a just and lasting solution of the drama of war, the party statement said.

New Demoracy, an SPS coalition partner in the Serbian Government, said that the criminal bombing of Sarajevo was an irresponsible and unwarranted retaliation by NATO forces on Serb positions which would not lead to peace but to the spreading of war.

The statement stressed that reason and political wisdom should prevail in these difficult moments because an urgent establishment of lasting peace was the only interest of the warring sides and the international community.

The opposition Democratic Party (DS) assessed in its statement that the excessive and cruel NATO air strikes

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on Serb positions and civilian population took place after the Bosnian Serb Assembly had accepted the new peace initative for the settlement of the Bosnian crisis.

DS said that in taking yesterday's shelling of a central Sarajevo market as the reason for the attack the international community refused for unfathomable reasons to set up a mixed commission to determine who was responsible for the act, but immidiately brutally retatliated against the Serbs.

The Serbian Radical Party (SRS) said that the bombing of Serb military and civilian targets followed the Bosnian Serb parliament decision to accept the U.S. Government peace initative.

Such an action showed that the 'Americans' objective was not to establish peace in the territory of the former Bosnia-Herzegovina but that their priority was to weaken the defense of the Bosnian Serb Republic, to destroy the Serb people and the western Serb lands.'

The Democratic Party of Serbia (DSS) assessed that the conclusions of the Bosnian Serb Assembly on the U.S. peace initative were 'a step towards peace' and that the bombing of Serb positions in Bosnia was a 'step towards war for which NATO and the U.S. are responsible.'

DSS President Vojislav Kostunica told reporters that the position of the Bosnian Serb parliament were a 'sensible and clear step towards peace' and that the Serb 'yes' was a test for the position of others towards peace.

The President of the Civic Alliance of Serbia (GSS) Vesna Pesic said that it was completely uncertain how the bombing of Serb positions in Bosnia and events in the Markala marketplace would influence the peace process in the former Yugoslavia.

Vesna Pesic told the Bosnian Serb leadership that there was no time to 'play with important politial decisions' and that it was necessary to 'conclude peace.'

The Serbian Renewal Movement (SPO), the largest opposition party in Serbia, said in its statement that 'the Pale extremists' anti-serb and anti-civilisational policy had provoked the brutal and unwarranted air strikes of the international military power.'

SPO called on 'sensible and responsible' people in the Bosnian Serb Republic not to yield to the policy of extremists and to put the safeguard of the Bosnian Serb Republic and the lives of its citizens ahead of their emotions.

Radical Party Leader Sees 'Turbulent' Politics

BR3008135695 Lisbon DIARIO DE NOTICIAS in Portuguese 29 Aug 95 p 11

[Interview with Serbian Radical Party leader Vojislav Seselj by Carlos Santos Pereira in Belgrade; date not given: "Serbia Is Dominated by Fear"]

[FBIS Translated Excerpt] [Passage omitted] [Pereira] In the early 1980's you were arrested several times. You were arrested twice last year. Are we returning to Tito's regime?

[Seselj] It is simple: Serbia is turning into a police state. In the past two years, Slobodan Milosevic has been reviving the Communist dictatorship. He has realized that he will not be able to stay in power using democratic methods. Milosevic is taking absolute control of all aspects of life in Serbia. He openly violates the Constitution and the law, arresting and prosecuting politicians. The secret police threaten ordinary citizens, and the media are under the government's control. Today insecurity dominates life in Serbia. Gangs of criminals control the regime, and the worst are Milosevic's ministers.

[Pereira] The demonstration organized in June by the Radical Party in Belgrade was not very well attended. How do you explain this failure?

[Seselj] The police stopped our rally in Gniljane (south of Kosovo) and arrested our leaders, a sign that the regime has decided to employ every method and will not even hesitate to spill blood to stay in power. Fear has taken root in Serbia. But fear will only increase revolt, meaning that the situation cannot last long.

[Pereira] Are there any signs that the moment of revolution is soon approaching?

[Seselj] I can testify that many people loyal to Milosevic are distancing themselves. Milosevic has won two elections by presenting himself as a Serb nationalist. Since then, however, he has abandoned the national line and betrayed the Serbs in the West. Any power based on the will of the people has disappeared. It is the power of fear, of violence, and of insecurity.

[Pereira] The Radical Party claims strong support among the police and military. But this does not seem to emerge in practice.

[Seselj] I am the most popular politician among the police and military. At the rallies in Belgrade and Gniljane, we definitely felt that the police were on our side. Milosevic knew that he could not trust the local police so he sent in special units from Pristina that had been trained to carry out orders blindly and fight anything in front of them.

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[Pereira] Do you think Milosevic has the military completely in his pocket?

[Seselj] No, Milosevic has never trusted the Army. In his pocket he has a few generals who occupy key posts in the military leadership, but the majority of commanding officers and all of the midranking officers are against him. The Army has been marginalized, and Milosevic is transforming the police into a paramilitary organization with tanks, guns, missiles, and combat helicopters. The only thing they do not have are MiG-29 fighters. The officers complain that the police are favored, but the average policeman is very displeased with his situation. He has to support a family on 300 or 400 dinars per month, and he also has to protect criminals who steal the property of the people and state.

[Pereira] The Serbs have lost Krajina as well as various positions in Bosnia. Is Serbia on the way to military defeat?

[Seselj] As long as Milosevic is in power we are risking total defeat. He is making all kinds of concessions to the enemies of the Serbs in order to stay in power. The Croats know this perfectly well, and that is why they are attacking now. The western part of Krajina was given up almost without a struggle. And now Milosevic is trying to oust Karadzic (leader of the Bosnian Serbs) with the complicity of General Mladic. Milosevic is trying to create a kind of military junta in Bosnia that obeys his orders. This way, we are losing Montenegro, Vojvodina, Kosovo, Sandjak—everything.

[Pereira] How do you explain the military defeat in Krajina?

[Seselj] There was not a military defeat in Krajina but a political defeat of the Serb people, who were unable to overthrow Milosevic in time. General Mrksic, plus a group of generals loyal to Pokret (the neo-Titoist Movement for Yugoslavia led by Mirjana Markovis, the wife of Milosevic) were appointed by Belgrade to deliver Krajina to the Croatians without a struggle.

[Pereira] Milosevic has an enormous power apparatus. Do you think it is possible to overthrow the Belgrade regime without running the risk of a civil war in Serbia?

[Seselj] Anything is possible in Serbia. Remember the Ceausescu regime. It used to control everything too (the police and the military), and we saw what happened to it. We have to mobilize the people en masse into the streets, and the police and Army are currently joining with the people.

[Pereira] Do you think the time will come soon?

[Seselj] I am convinced that time is drawing ever closer. I cannot predict an exact date, but, in any case, we can expect a turbulent fall season in Serbian politics.

[Pereira] Your image in the West is that of a radical nationalist and even a war criminal. To what do you attribute this image?

[Seselj] Everyone who fights for Serbian national interests has a negative image in the Western media. They call me everything, including a war criminal. Yet I was the only politician in the former Yugoslavia who publicly said that, if they managed to formally accuse me of any crime, I would be the first to go to the International Court of Justice in The Hague.

[Pereira] Do you not think that some of your statements may have contributed a great deal to boosting this image?

[Seselj] My threat to attack Italy was due to the fact that the Italians have given their territory to NATO so it can bomb Serbian positions. I also advocated the idea that, if Croatia were to attack Krajina, we should attack Zagreb. If the British and Americans can drop tonnes of bombs on German cities in World War II, why is it that the Serbs of Krajina cannot attack the fascist Nazi commanders of Zagreb in order to defend themselves? It was statements like these that provoked a strong reaction in the West, but journalists also invent a lot of false things about me.

[Pereira] But, if you come to power, you risk being ostracized by the international community.

[Seselj] The West's foreign policy is guided not by emotions but by interests. If the interests of the West coincide with ours, it will cooperate with me. If our political interests diverge, it will call me all sorts of names. Do not forget that they used to call Milosevic the "Butcher of the Balkans," but then, when he turned out to be more accommodating and started betraying Serbian interests, they began saying nice things about him.

[Pereira] If the U.S. peace plan is accepted, the Serbs would lose Krajina for good. What is your view of that?

[Seselj] We will never give up fighting for Krajina. Do not forget that the Serbs were under Turkish occupation for 500 years and ended up getting their freedom. I think we will shortly see a historical turning point. The Germans and the Americans support the Croatians, but perhaps there will soon be big problems here.

[Pereira] Certain diplomatic initiatives point to the reconstitution of a Yugoslavia.

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[Seselj] I do not believe in this kind of historical-political pseudoexperiment.

Assistant Minister Talks With Iraqi Envoy

LD2908173995 Belgrade TANJUG in English 1711 GMT 29 Aug 95

[FBIS Transcribed Text] Belgrade, Aug. 29 (TANJUG)—Serbia's Assistant Information Minister Rade Drobac received Tuesday Charge d'Affaires of the Iraqi Embassy in Belgrade Ta'i Hamdi Muhammad.

The situation in the former Yugoslavia in the light of the latest initiatives for a lasting and equitable solution to the crisis was discussed, Serbia's Information Ministry reported.

The two sides agreed on the need for a better and quicker mutual exchange of information on questions of interest to the two countries, an official statement said.

New Wave of Hyperinflation Predicted

95BA0317B Ljubljana DELO in Slovene 2 Aug 95 p 5

[Article by Slobodan Dukic: "The Serbs Are Afraid of Dark Days"]

[FBIS Translated Text] *Citizens, businessmen, and the authorities are afraid of a repetition of 1993, when Serbia, along with Montenegro, held the world record for inflation.*

From our correspondent.

Belgrade, 1 Aug—Observers of the latest economic and social events are wondering these days in Belgrade whether the Serbian economy is threatened by inflation again and whether days of poverty are ahead for citizens. The newspaper NASA BORBA is no longer doubting that in the fall the economy and citizens will experience a repetition of the events of 1993.

Others are less categorical in their assessments, but in spite of that, in recent days there has been a marked flood of warning information about the increasingly more frequent price increases; the critical situation at numerous enterprises; the shortage of money in banks; the panicked exchange of dinars for foreign currency, primarily German marks; and a great lack of financial discipline, especially at the large socialized enterprises, which owe the state hundreds of millions of dinars. Businessmen are no longer talking about an economic miracle and the superdinar that was introduced by Dr. Dragoslav Avramovic, present governor of the National Bank. Numerous enterprises are threatened with collapse, including the Beograd and Jugoeksport commercial enterprises, the metallurgical and textile industries, commerce in general, river shipping, banks.... A few days ago Kontic, federal prime minister, had to go on a trip to try to strengthen the belief that the economy will be put on its feet and the system will not collapse.

If enterprises paid all their financial obligations immediately, then half of the Yugoslav economy would have to stop. VECERNJE NOVOSTI said today that Avramovic's economic renewal program would be jeopardized primarily by a lack of financial discipline. The newspaper cites a warning from Danilo Perovic, president of the Serbian-Montenegrin Chamber of Commerce, that loans are not being repaid to banks, the debts of public enterprises (the oil industry and the electrical industry) are increasing, and those enterprises currently require an additional 800 million dinars. At the beginning of July there were about 14,000 enterprises, with 435,000 employees, that had their transfer accounts blocked. For that reason at least 700 enterprises are facing liquidation, and applications for bankruptcy proceedings have been filed against 12,000. Serbian bankers are joking these days that thieves cannot even rob them, because everyone knows that they do not have any money.

Where is the money? The bankers explain that 45 percent of the total money supply (2.4 billion dinars) is in cash. Avramovic's dinar is losing its price on the street. You can get one German mark for 2.5 to 2.7 dinars. Everyone, enterprises and citizens, is trying to save up enough foreign exchange for even worse days.

Large amounts of money are being exchanged not only for foreign exchange, but also for expensive goods that are waiting for the "right moment" to appear in the market. There is also more and more trading in goods. A certain enterprise near Belgrade gave its workers cows in exchange for several months of unpaid wages, and some electrical enterprises gave coupons to pay for electricity. Serbian enterprises are even paying for vacations on the Montenegrin coast with goods. A certain agricultural processing enterprise will pay for 9,300 boarding houses with 46 metric tons of fresh meat.

NASA BORBA is predicting a difficult fall and a wave of price increases. Producers are raising prices by 10 to 20 percent, and ministries by 50 percent. Price increases for bread, milk, meat, and cooking oil are also threatened. Prices have been raised for detergents, personal hygiene products, in a word, everything. Experts are predicting a 10-percent monthly increase in prices, which is enough for new hyperinflation to occur soon.

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Montenegro

Attempts To Colonize Kosovo 'Sick Ambition'

AU2908152795 Pristina KOSOVA DAILY REPORT in English 28 Aug 95

[FBIS Transcribed Text] The Montenegrin Liberal journal LIBERAL in its last issue published the notorious so-called "elaborate of Cubrilovic"—"The Cleansing of Kosova From the Albanians"—under the title "The History of Ethnic Cleansing," saying that the ethnic cleansing had originated in Kosova and that the attempts of Belgrade to colonize Kosova with Serbian refugees from Croatia is a sick ambition.

Speaking further of the latest tragic abuse of the Serbian regime with refugees from Croatia, the newspaper said: "Most of the refugees will one day understand that they are not the victims of Croatian aggression, but victims of their own leaders who abused with them in order to realize their sick ambitions," adding that "the plight of Milosevic to have all Serbs live in one country will be finalized soon when another wave of Serbian refugees, this time from Bosnia, reaches Serbia."

The rise of tensions between Croatia and so-called Yugoslavia over Prevlaka harbor has caused insecurity and anxiety among the Montenegrin population recently. Call ups from the so-called Yugoslav Army have been distributed to many individuals, including Albanian population in Montenegro, adds the article published by LIBERAL.

Bojovic Transfer Called 'Worst Spy Scandal'

95BA0317A Ljubljana DNEVNIK in Slovene 1 Aug 95 p 8

[Article by Slobodan Rackovic: "Transfer Deadline for Spies"]

[FBIS Translated Text] *The Montenegrin secret police are investigating a wiretapping affair conducted from Belgrade; the head of the State Security Service, Bojovic, is now in the service of his new (old) master.*

Podgorica, 1 Aug—After some surprising transfers from the Montenegrin secret police to the Serbian secret police, the most surprising of which was the transfer of the head of the Montenegrin State Security Service, Bosko Bojovic, one can already say that planted Belgrade spies were systematically eavesdropping on the leadership of the Montenegrin state. It was precisely Bojovic's departure to join the top leadership of Jovica Stanisic, who is considered to be Milosevic's right hand, that revealed that the policeman who deserted even tried in vain to recruit the chief of Montenegrin President Bulatovic's security service for something like that.

According to the general opinion in Podgorica and Belgrade, this is the worst spy scandal and may seriously impair the unity between the federal units of the self-styled Federal Republic of Yugoslavia [FRY]. The matter is even worse than the one two years ago, when the Serbian police forcibly occupied the offices of the federal police in Belgrade. We will have to wait longer, however, to find out whether this time the consequences will be even worse than at that time. Momir Bulatovic and his prime minister, Mile Djukanovic, will quite certainly not react as mildly as then Federal President Dobrica Cosic and Prime Minister Milan Panic did.

Everything will depend on how sincere Bulatovic and Djukanovic were in advocating a unified (read: Greater Serbian) state. In any case, Belgrade has been accusing them for a long time of being something like Slovenes in the rump Yugoslavia. The vengeful Bojovic, who was replaced in Montenegro because of a scandal in the Interior Ministry there, will be able, as their most reliable man, to tell all sorts of things to his new master, Jovica Stanisic, and of course to his master, Slobodan Milosevic. Bosko Bojovic, of course, has been informed down to the last detail about the possible views of the Montenegrin leadership on the secession of Montenegro from the unnatural and unequal two-member federation, which even those who most regret the former Yugoslavia admit is getting worse every day.

Particularly important to the Serbian intelligence service will be Bojovic's information about the secret routes of the money from oil and cigarettes, and also about cooperation with the Italian Mafia, as a result of which Montenegro has recently been able to boast that it is economically completely independent from Serbia and the federation, which is the worst rebuke to those who are convinced that the Montenegrins would starve to death without Belgrade's assistance. All sorts of other things will also interest the Serbian police and political leadership, not to mention the list of collaborators of the Montenegrin security service, which Bojovic certainly took to his new masters. Belgrade will quite certainly be delighted most of all by information on critical Montenegrin politicians and businessmen, and above all by information about the Liberal Slavko Perovic, the Social Democrat Dr. Ilije Vujosevic, and their associates, and also information about the other opposition leaders. We could even say that nothing in Montenegrin politics will be the way it was before Bojovic's flight, because Bojovic was a man who left deep traces in Montenegrin political life. He tapped the telephones of all political opponents, carefully removed from the police all the Montenegrins, Muslims, Albanians, and others who did not exactly like the Serbs very much, reinstituted the badly hated

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and almost forgotten standard of moral and political suitability, dealt thoroughly with the leaders of the Muslim Party of Democratic Action in Montenegro, and used the Inquisition's interrogation methods against them in prison; the Cetinje youths who protested in their city last year against the academic meeting of the Serbian and Montenegrin Academies of Science at which Njegos was declared to be a Serbian writer did not pity him at all. Finally, he also did a great deal for the current Montenegrin regime in its opposition to the restoration of an autonomous Montenegrin Orthodox Church.

The Montenegrin independent weekly MONITOR wrote in regard to his transfer that the Serbian leadership could not have dealt a worse slap in the face to the Montenegrin leadership than by taking Bojovic. In its opinion, something like that could not have happened without the knowledge and approval of Slobodan Milosevic. That is why Bojovic's transfer is a sure sign that the leader of Serbia, with the help of the police, is also weaving dangerous nets for Bulatovic and Djukanovic, just as he once did for the former Montenegrin leadership, which was swept away by the antibureaucratic revolution in January 1989.

Kosovo

'Paramilitary' Among Serb Refugees Cause 'Turmoil'

AU3008154795 Tirana TVSH Television Network in Albanian 1800 GMT 29 Aug 95

[Telephone report by Leke Musolli from Pristina]

[FBIS Translated Text] The settlement of Serb colonists from Croatia in Kosova and the Kosova colonization have already become daily topics. According to reports received so far, approximately 8,000 persons have been settled in the Republic of Kosova.

The Kosova Information Center reports that Serbian colonists from Croatia continue to be brought to several communes in Kosova, and they are already being stationed in hotels, schools, dormitories for pupils and students, and homes whose owners are not in Kosova.

Only yesterday, 72 Serb refugees were settled in Kline and were accommodated in the Mirusha and Metohija Hotels, the agricultural cooperative buildings, and several private homes. Reports say that it is envisaged that 100 refugee families from Croatia will be settled in this commune. Meanwhile, 53 Serb families who have come from Albania in the past three years have been accommodated in the Nora Hotel. Yet reports note that the Serb colonists coming from Croatia who have been settled in Gjakove [Djakovica] have been mainly accommodated at the high school building. The so-called crisis headquarters in the commune has usurped the building of the Bajram Curri higher pedagogical school, in which work to settle Serb refugees is under way. On 29 August, the same headquarters usurped the building of the medical school. Reports say that raids on Albanian shops and firms have started in the commune. On the other hand, the employees have been informed that a part of their salary will be kept to assist the Serbian colonists.

Although their exact number is not given, it is presumed that the majority of Serbian colonists who had arrived in Prishtina [Pristina] have been accommodated at the Boro Ramizi sports center and pupils' dormitories, the medical school, buildings from which the Albanian pupils were evicted years ago.

It is reported from Skenderaj that last night two refugee families were accommodated in two uninhabited Serbian homes in Banje village, while another three-member family was accommodated in the halls of the Hasan Prishtina Cultural Center in Skenderaj. Witnesses say that these refugees have conditioned their stay in Kosova with being granted jobs.

Reports also note that, in Vushtrri [Vucitrn], 250 Serbian colonists have been stationed mainly in the village of Nedakovc. It is said that a certain number of these refugees are being employed in several enterprises in the commune, following the dismissal of Albanian workers.

Serbian media report that Serbian colonists have been settled in Shterce and Zubin Potok communes, and it is said that there are Serbian paramilitary among them, who perhaps might have come not to find shelter or, as is said, for humanitarian issues but to create turmoil and conflict in Kosova.

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